Q3 2014
for the period ended December 31, 2013

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, 2013.

THIRD QUARTER HIGHLIGHTS

For the three months ended December 31, ($ thousands, except per share data)	**2013**	2012	$ change	% change
Annuity/maintenance software licenses	**14,278**	14,004	274	2%
Perpetual software licenses	**2,942**	1,365	1,577	116%
Total revenue	**19,227**	16,802	2,425	14%
Operating profit	**9,575**	8,276	1,299	16%
Net income	**7,205**	6,119	1,086	18%
Earnings per share - basic	**0.19**	0.16	0.03	19%

For the nine months ended December 31, ($ thousands, except per share data)	**2013**	2012	$ change	% change
Annuity/maintenance software licenses	**41,389**	39,196	2,193	6%
Perpetual software licenses	**7,102**	6,106	996	16%
Total revenue	**54,527**	49,341	5,186	11%
Operating profit	**27,221**	24,413	2,808	12%
Net income	**19,894**	17,569	2,325	13%
Earnings per share - basic	**0.52**	0.47	0.05	11%

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, 2014, 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, 2013 and the audited consolidated financial statements and MD&A for the years ended March 31, 2013 and 2012 contained in the 2013 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 2013 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, 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 2012[1]	Fiscal 2013[2]				Fiscal 2014[3]		
($ thousands, unless otherwise stated)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Annuity/maintenance licenses	12,497	13,179	12,012	14,004	15,359	13,958	13,153	**14,278**
Perpetual licenses	3,416	2,070	2,671	1,365	2,300	2,331	1,829	**2,942**
Software licenses	15,913	15,249	14,683	15,369	17,659	16,289	14,982	**17,220**
Professional services	1,302	1,216	1,390	1,433	1,620	1,827	2,202	**2,007**
Total revenue	17,215	16,465	16,073	16,802	19,279	18,116	17,184	**19,227**
Operating profit	9,193	8,105	8,032	8,276	9,877	9,350	8,296	**9,575**
Operating profit (%)	53	49	50	49	51	52	48	**50**
EBITDA[4]	9,543	8,423	8,425	8,687	10,294	9,725	8,675	**9,972**
Profit before income and other taxes	9,104	8,577	7,703	8,556	10,314	9,999	8,133	**10,249**
Income and other taxes	2,484	2,487	2,342	2,437	3,061	2,918	2,525	**3,044**
Net income for the period	6,620	6,090	5,361	6,119	7,253	7,081	5,608	**7,205**
Cash dividends declared and paid	4,848	9,736	6,020	6,050	6,099	8,841	6,994	**7,020**
Per share amounts - ($/share)								
Earnings per share - basic	0.18	0.16	0.14	0.16	0.19	0.19	0.15	**0.19**
Earnings per share - diluted	0.17	0.16	0.14	0.16	0.19	0.18	0.14	**0.18**
Cash dividends declared and paid	0.13	0.26	0.16	0.16	0.16	0.23	0.18	**0.18**

(1) Q4 of fiscal 2012 includes $2.7 million in revenue that pertains to usage of CMG's products in prior quarters.
(2) Q1, Q2, Q3 and Q4 of fiscal 2013 include $2.1 million, $0.2 million, $1.8 million and $2.6 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(3) Q1, Q2 and Q3 of fiscal 2014 include $1.2 million, $0.2 million and $0.9 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, 2013, as compared to the same period of the prior fiscal year, CMG:

- Increased annuity/maintenance revenue by 6%
- Increased operating profit by 12%
- Increased spending on research and development by 18%
- Increased EBITDA by 11%
- Realized basic earnings per share of $0.52, representing a 11% increase

Revenue

For the three months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Software licenses	**17,220**	15,369	1,851	12%
Professional services	**2,007**	1,433	574	40%
Total revenue	**19,227**	16,802	2,425	14%
Software license revenue - % of total revenue	**90%**	91%		
Professional services - % of total revenue	**10%**	9%		

For the nine months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Software licenses	**48,491**	45,302	3,189	7%
Professional services	**6,036**	4,039	1,997	49%
Total revenue	**54,527**	49,341	5,186	11%
Software license revenue - % of total revenue	**89%**	92%		
Professional services - % of total revenue	**11%**	8%		

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 14% for the three months ended December 31, 2013, compared to the same period of the previous fiscal year, due to increases in both software license revenue and professional services.

Similarly, total revenue increased by 11% for the nine months ended December 31, 2013, compared to the same period of the previous fiscal year, as a result of increases in both software license revenue and professional services.

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 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)	**2013**	2012	$ change	% change
Annuity/maintenance licenses	**14,278**	14,004	274	2%
Perpetual licenses	**2,942**	1,365	1,577	116%
Total software license revenue	**17,220**	15,369	1,851	12%
Annuity/maintenance as a % of total software license revenue	**83%**	91%		
Perpetual as a % of total software license revenue	**17%**	9%		

For the nine months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Annuity/maintenance licenses	**41,389**	39,196	2,193	6%
Perpetual licenses	**7,102**	6,106	996	16%
Total software license revenue	**48,491**	45,302	3,189	7%
Annuity/maintenance as a % of total software license revenue	**85%**	87%		
Perpetual as a % of total software license revenue	**15%**	13%		

Total software license revenue grew by 12% in the three months ended December 31, 2013, compared to the same period of the previous fiscal year, mainly due to an increase in perpetual license sales. Total software license revenue grew by 7% in the nine months ended December 31, 2013, compared to the same period of the previous fiscal year, due to increases in both the annuity/maintenance and perpetual license sales.

CMG's annuity/maintenance license revenue increased by 2% and 6% during the three and nine months ended December 31, 2013, respectively, compared to the same periods of the previous year. This increase was driven by annuity sales to new and existing customers as well as an increase in maintenance revenue tied to perpetual sales. In addition, annuity/maintenance license revenue for the three and nine months ended December 31, 2013, compared to the same periods of the previous year, was positively affected by the weakening of the Canadian dollar.

All of our regions, except South America, experienced growth in annuity/maintenance revenue during the three and nine months ended December 31, 2013, compared to the same periods of the previous year, with the most significant growth being generated from the US market.

Our annuity/maintenance revenue is impacted by the revenue recognition from a long-standing customer for which revenue recognition criteria are fulfilled only at the time of the receipt of funds (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). The variability of the amounts of the payments received and the timing of such payments may skew the comparison of the recorded annuity/maintenance revenue amounts between periods. During the current quarter no payments have been received or recorded for this arrangement. To provide a normalized comparison, if we were to remove revenue from this particular customer from the third quarter of the previous year, we will notice that the annuity/maintenance revenue increased by 11%, instead of 2%, as compared to the same period of the previous year. Similarly, if we were to remove revenue from this particular customer from the year-to-date recorded revenue, we will notice that the annuity/maintenance revenue increased by 12%, instead of 6%, as compared to the same period of the previous year. Given our long-term relationship with this customer, and their on-going use of our licenses, we expect to continue to receive payments from them; 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.

Perpetual license sales increased by 116% for the three months ended December 31, 2013, compared to the same period of the previous fiscal year, due to increases in the US, South America and Eastern Hemisphere.

Perpetual license sales increased by 16% for the nine months ended December 31, 2013, compared to the same period of the previous fiscal year, due to growth in perpetual sales generated by the US, South America and Eastern Hemisphere offset by a decrease in Canada.

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.

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, 2013, compared to the same periods of the previous fiscal year, had a positive impact on our reported license revenue.

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)		**2013**	2012	$ change	% change
US dollar annuity/maintenance license sales	**US$**	**9,460**	8,785	675	8%
Weighted average conversion rate		**1.022**	1.001		
Canadian dollar equivalent	**CDN$**	**9,671**	8,795	876	10%
US dollar perpetual license sales	**US$**	**2,665**	908	1,757	194%
Weighted average conversion rate		**1.045**	0.994		
Canadian dollar equivalent	**CDN$**	**2,786**	903	1,883	209%

For the nine months ended December 31, ($ thousands)		**2013**	2012	$ change	% change
US dollar annuity/maintenance license sales	**US$**	**27,568**	24,361	3,207	13%
Weighted average conversion rate		**1.014**	1.001		
Canadian dollar equivalent	**CDN$**	**27,966**	24,393	3,573	15%
US dollar perpetual license sales	**US$**	**6,426**	4,159	2,267	55%
Weighted average conversion rate		**1.036**	1.000		
Canadian dollar equivalent	**CDN$**	**6,655**	4,160	2,495	60%

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

For the three months ended December 31, 2013 ($ thousands)	Q3 2013 Balance	Incremental License Growth	Foreign Exchange Impact	**Q3 2014 Balance**
Annuity/maintenance license sales	14,004	74	200	**14,278**
Perpetual license sales	1,365	1,442	135	**2,942**
Total software license revenue	15,369	1,516	335	**17,220**

For the nine months ended December 31, 2013 ($ thousands)	Q3 2013 Balance	Incremental License Growth	Foreign Exchange Impact	**Q3 2014 Balance**
Annuity/maintenance license sales	39,196	1,832	361	**41,389**
Perpetual license sales	6,106	769	227	**7,102**
Total software license revenue	45,302	2,601	588	**48,491**

REVENUE BY GEOGRAPHIC SEGMENT

For the three months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Annuity/maintenance revenue				
Canada	**6,013**	5,490	523	10%
United States	**3,421**	2,818	603	21%
South America	**1,513**	2,435	(922)	-38%
Eastern Hemisphere(1)	**3,331**	3,261	70	2%
	14,278	14,004	274	2%
Perpetual revenue				
Canada	**156**	227	(71)	-31%
United States	**427**	-	427	100%
South America	**862**	26	836	3215%
Eastern Hemisphere	**1,497**	1,112	385	35%
	2,942	1,365	1,577	116%
Total software license revenue				
Canada	**6,169**	5,717	452	8%
United States	**3,848**	2,818	1,030	37%
South America	**2,375**	2,461	(86)	-3%
Eastern Hemisphere	**4,828**	4,373	455	10%
	17,220	15,369	1,851	12%

For the nine months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Annuity/maintenance revenue				
Canada	**16,895**	15,902	993	6%
United States	**9,542**	7,759	1,783	23%
South America	**5,411**	6,770	(1,359)	-20%
Eastern Hemisphere(1)	**9,541**	8,765	776	9%
	41,389	39,196	2,193	6%
Perpetual revenue				
Canada	**447**	1,541	(1,094)	-71%
United States	**854**	662	192	29%
South America	**1,352**	509	843	166%
Eastern Hemisphere	**4,449**	3,394	1,055	31%
	7,102	6,106	996	16%
Total software license revenue				
Canada	**17,342**	17,443	(101)	-1%
United States	**10,396**	8,421	1,975	23%
South America	**6,763**	7,279	(516)	-7%
Eastern Hemisphere	**13,990**	12,159	1,831	15%
	48,491	45,302	3,189	7%

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

During the three months ended December 31, 2013, 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 of 3%, compared to the same period of the previous fiscal year.

During the nine months ended December 31, 2013, on a geographic basis, total software license sales increased by 23% and 15% in the US and Eastern Hemisphere, respectively, while Canada and South America experienced decreases of 1% and 7%, respectively.

The Canadian market (representing 36% of year-to-date total software revenue) experienced growth in annuity/maintenance revenue during the three and nine months ended December 31, 2013, compared to the same periods of the previous fiscal year. These increases were supported by sales to both new and existing customers. Perpetual sales were lower during the three and nine months ended December 31, 2013, compared to the same periods of the previous year, due to the fluctuations inherent in the perpetual revenue stream. Historically, the Canadian market has been strong in generating recurring annuity/maintenance revenue as evidenced by the quarterly year-over-year increases of 37%, 38%, and 10% recorded during Q3 2013, Q4 2013 and Q1 2014, respectively. Annuity/maintenance was relatively flat in Q2 2014, compared to the same period of the previous fiscal year; however, the double digit growth trend returned in the third quarter of the current fiscal year with the recorded increase of 10%.

The US market (representing 21% of year-to-date total software revenue) experienced significant growth in annuity/maintenance license sales, in comparison to other regions, during the three and nine months ended December 31, 2013, compared to the same periods of the previous fiscal year, driven by sales to new and existing customers. Perpetual license sales increased during the three and nine months ended December 31, 2013, compared to the same periods of the previous year. We continue to experience successive increases in the annuity/maintenance license sales in the US as evidenced by the quarterly year-over-year increases of 32%, 20%, 32% and 16% recorded during Q3 2013, Q4 2013, Q1 2014, and Q2 2014 respectively. This double-digit growth trend has continued into the third quarter of the current fiscal year with the recorded increase of 21%.

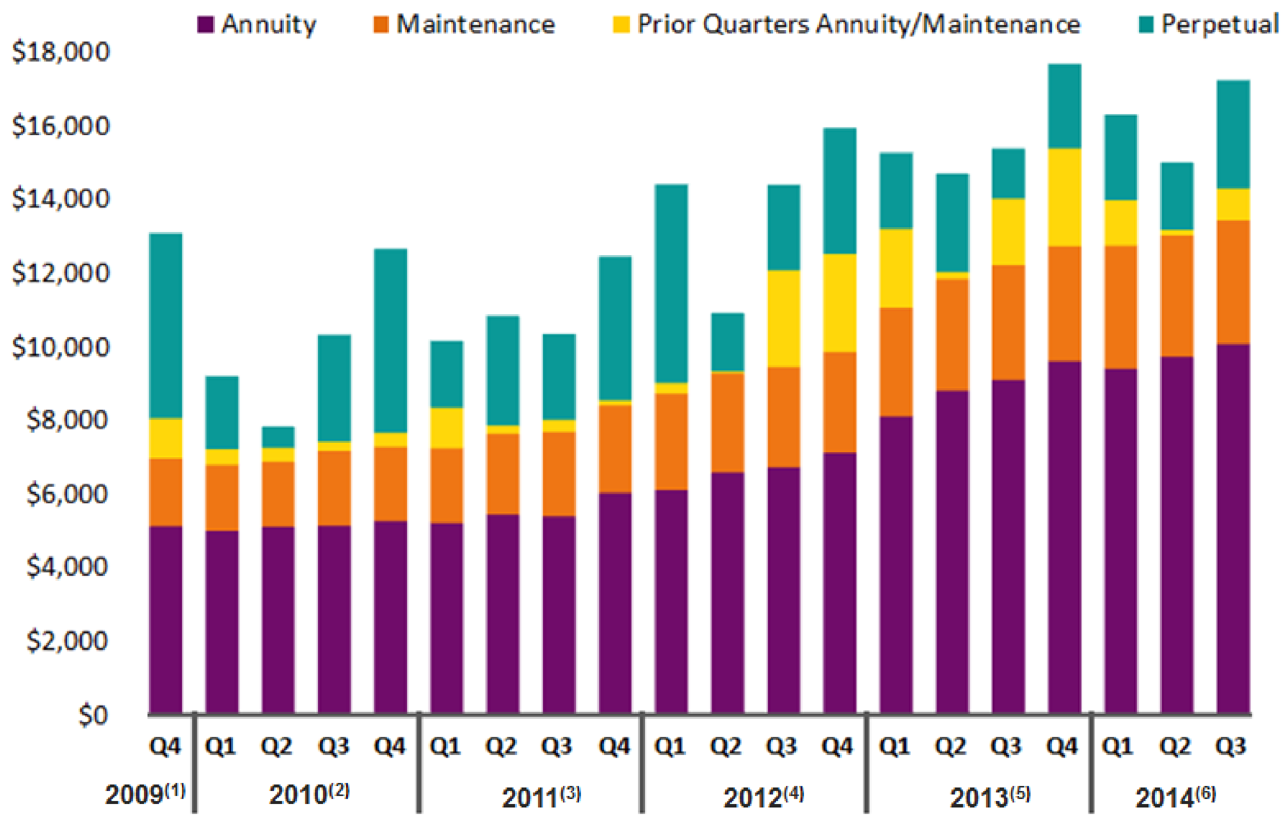
South America (representing 14% of year-to-date total software revenue) experienced a decline of 38% and 20% in annuity/maintenance license sales during the three and nine months ended December 31, 2013, respectively, compared to the same periods of the previous fiscal year. These decreases were caused by the variability of the amounts recorded from a customer for which revenue is recognized only when cash is received (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). To provide a normalized comparison, if we were to remove revenue from this particular customer from the third quarter of the previous year, we will notice that the South America annuity/maintenance revenue increased by 20%, instead of a decrease of 38%, as compared to the same period of the previous year. Similarly, if we were to remove revenue from this particular customer from the year-to-date recorded revenue, we will notice that the South America annuity/maintenance revenue increased by 18%, instead of a decrease of 20%, as compared to the same period of the previous year. The South American region experienced increases in perpetual license sales during the three and nine months ended December 31, 2013, compared to the same period of the previous year.

Eastern Hemisphere (representing 29% of the year-to-date total software revenue) grew annuity/maintenance license sales by 2% and 9% during the three and nine months ended December 31, 2013, respectively, compared to the same periods of the previous fiscal year, due to sales to both new and existing customers in the region. Compared to other regions, the Eastern Hemisphere achieved the highest dollar value of growth in perpetual license revenue during the nine months ended December 31, 2013, compared to the same period of the previous year.

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 experience growth. We will continue to focus our efforts on increasing our license sales to both existing and new customers, and 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 2009 includes $1.1 million in revenue that pertains to usage of CMG's products in prior quarters.

(2) 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.

(3) 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.

(4) 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.

(5) Q1, Q2, Q3 and Q4 of fiscal 2013 include $2.1 million, $0.2 million, $1.8 million, and $2.6 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

(6) Q1, Q2 and Q3 of fiscal 2014 include $1.2 million, $0.2 million and $0.9 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

DEFERRED REVENUE

($ thousands)	**2013**	2012	$ change	% change
Deferred revenue at:				
March 31	**25,289**	21,693	3,596	17%
June 30	**22,014**	18,779	3,235	17%
September 30	**19,346**	18,241	1,105	6%
December 31	**18,069**	15,510	2,559	16%

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 decrease in deferred revenue balance at the end of the first quarter, second quarter and third quarter (June 30, September 30 and December 31, respectively) compared to the fiscal year-end (March 31). Deferred revenue at December 31, 2013 increased compared to the same period of the prior fiscal year due to both the renewal of existing and signing of new annuity and maintenance contracts in the quarter.

PROFESSIONAL SERVICES REVENUE

CMG recorded professional services revenue of $2.0 million for the three months ended December 31, 2013, representing an increase of $0.6 million, compared to the same period of the previous fiscal year, due to both an increase in project activities by our clients and due to entering into a large consulting agreement with one of our clients which, we expect, will continue to contribute to the professional services revenue during the current fiscal year. Professional services for the nine months ended December 31, 2013 amounted to $6.0 million, representing an increase of $2.0 million, compared to the same period of the previous fiscal year, which again resulted from entering into a large consulting agreement with one of our clients in the current fiscal year.

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)	**2013**	2012	$ change	% change
Sales, marketing and professional services	**4,119**	3,778	341	9%
Research and development	**3,816**	3,136	680	22%
General and administrative	**1,717**	1,612	105	7%
Total operating expenses	**9,652**	8,526	1,126	13%
Direct employee costs[1]	**7,599**	6,716	883	13%
Other corporate costs	**2,053**	1,810	243	13%
	9,652	8,526	1,126	13%

For the nine months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Sales, marketing and professional services	**11,605**	11,333	272	2%
Research and development	**10,706**	9,061	1,645	18%
General and administrative	**4,995**	4,534	461	10%
Total operating expenses	**27,306**	24,928	2,378	10%
Direct employee costs[1]	**21,907**	19,802	2,105	11%
Other corporate costs	**5,399**	5,126	273	5%
	27,306	24,928	2,378	10%

[1] Includes salaries, bonuses, stock-based compensation, benefits and commissions.

CMG's total operating expenses increased by 13% and 10% for the three and nine months ended December 31, 2013, respectively, compared to the same periods of the previous fiscal year, due to increases in both direct employee costs and other corporate costs.

DIRECT EMPLOYEE COSTS

As a technology company, CMG's largest area of expenditure is for its people. Approximately 80% of the total operating expenses in the nine months ended December 31, 2013 related to staff costs, compared to 79% recorded in the comparative period of last year. Staffing levels for the current fiscal year grew in comparison to the previous fiscal year to support our continued growth. At December 31, 2013, CMG's staff complement was 189 employees and consultants, up from 166 employees as at December 31, 2012. Direct employee costs increased during the three and nine months ended December 31, 2013, compared to the same periods of the previous fiscal year, due to staff additions, increased levels of compensation, and related benefits.

OTHER CORPORATE COSTS

Other corporate costs increased by 13% for the three months ended December 31, 2013, compared to the same period of the previous fiscal year, mainly due to the decrease in the Federal research and experimental development ("SR&ED") input tax credit rate.

Other corporate costs were comparable between the nine months ended December 31, 2013 and 2012 with only a slight increase of 5%, mainly due to increased computing costs offset by the inclusion of the costs associated with CMG's biennial technical symposium in the nine months ended December 31, 2012.

RESEARCH AND DEVELOPMENT

For the three months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Research and development (gross)	**4,125**	3,586	539	15%
SR&ED credits	**(309)**	(450)	141	-31%
Research and development	**3,816**	3,136	680	22%
Research and development as a % of total revenue	**20%**	19%		

For the nine months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Research and development (gross)	**12,080**	10,458	1,622	16%
SR&ED credits	**(1,374)**	(1,397)	23	-2%
Research and development	**10,706**	9,061	1,645	18%
Research and development as a % of total revenue	**20%**	18%		

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 costs include CMG's share of joint research and development costs associated with the DRMS project of $0.9 million and $3.0 million for the three and nine months ended December 31, 2013, respectively (2012 - $1.0 million and $2.8 million). See discussion under "Commitments, Off Balance Sheet Items and Transactions with Related Parties."

The increases of 15% and 16% in our gross spending on research and development for the three and nine months ended December 31, 2013, respectively, compared to the same periods of the previous fiscal year, 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 22% and 18% during the three and nine months ended December 31, 2013, respectively, compared to the same periods of the previous fiscal year, due to increased employee compensation costs and costs associated with computing resources.

We also had a decrease in SR&ED credits in the three and nine months ended December 31, 2013, compared to the same period of the previous fiscal year, driven by the decrease in the Federal SR&ED input tax credit rate from 20% to 15% effective January 1, 2014 lowering our average rate for fiscal 2014.

DEPRECIATION

For the three months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**102**	124	(22)	-18%
Research and development	**240**	235	5	2%
General and administrative	**55**	52	3	6%
Total depreciation	**397**	411	(14)	-3%

For the nine months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**305**	341	(36)	-11%
Research and development	**692**	641	51	8%
General and administrative	**154**	140	14	10%
Total depreciation	**1,151**	1,122	29	3%

Depreciation in the three and nine months ended December 31, 2013 was relatively flat as compared to the same periods in the previous fiscal year.

Finance Income

For the three months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Interest income	**160**	133	27	20%
Net foreign exchange gain	**514**	147	367	250%
Total finance income	**674**	280	394	141%

For the nine months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Interest income	**479**	409	70	17%
Net foreign exchange gain	**681**	13	668	5138%
Total finance income	**1,160**	422	738	175%

Interest income increased in the three and nine months ended December 31, 2013, 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 71% (2012 – 67%) of CMG's revenue for the nine months ended December 31, 2013 is denominated in US dollars, whereas only approximately 25% (2012 – 22%) 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
2011	1.0370	0.9626	0.9833	1.0132
2012	0.9813	1.0166	1.0051	0.9998
2013	**0.9513**	**0.9723**	**0.9402**	**0.9604**

CMG recorded net foreign exchange gains of $0.5 million and $0.7 million for the three and nine months ended December 31, 2013, respectively, compared to net foreign exchange gains of $0.1 million and $0.01 million recorded in the three and nine months ended December 31, 2012, respectively. These gains were a result of a weakening in the Canadian dollar which contributed positively to the valuation of our US-denominated working capital.

Income and Other Taxes

CMG's effective tax rate for the nine months ended December 31, 2013 is reflected as 29.90% (2012 – 29.26%), whereas the prevailing Canadian statutory tax rate is now 25.0%. This difference 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)	**2013**	2012	$ change	% change
Total revenue	**19,227**	16,802	2,425	14%
Operating expenses	**(9,652)**	(8,526)	(1,126)	13%
Operating profit	**9,575**	8,276	1,299	16%
Operating profit as a % of total revenue	**50%**	49%		
Net income for the period	**7,205**	6,119	1,086	18%
Net income for the period as a % of total revenue	**37%**	36%		
Basic earnings per share ($/share)	**0.19**	0.16	0.03	19%

For the nine months ended December 31, ($ thousands, except per share amounts)	**2013**	2012	$ change	% change
Total revenue	**54,527**	49,341	5,186	11%
Operating expenses	**(27,306)**	(24,928)	(2,378)	10%
Operating profit	**27,221**	24,413	2,808	12%
Operating profit as a % of total revenue	**50%**	49%		
Net income for the period	**19,894**	17,569	2,325	13%
Net income for the period as a % of total revenue	**36%**	36%		
Earnings per share ($/share)	**0.52**	0.47	0.05	11%

Operating profit as a percentage of total revenue for the three and nine months ended December 31, 2013 was at 50% compared to 49% recorded in the same periods of the previous fiscal year. While our total revenue grew by 14% and 11% for the three and nine months ended December 31, 2013, respectively, as compared to the same periods of the previous fiscal year, our operating expenses grew by only 13% and 10%, respectively, having a positive impact on our operating profit. Our high levels of operating profit as a percentage of revenue demonstrate our commitment to continue to effectively manage our costs.

Net income for the period as a percentage of revenue increased to 37% for the three months ended December 31, 2013, compared to 36% for the same period of the previous fiscal year.

Net income for the period as a percentage of revenue was consistent at 36% for the nine months ended December 31, 2013, compared to the same period of the previous fiscal year.

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)	**2013**	2012	$ change	% change
Net income for the period	**7,205**	6,119	1,086	18%
Add (deduct):				
Depreciation	**397**	411	(14)	-3%
Finance income	**(674)**	(280)	(394)	141%
Income and other taxes	**3,044**	2,437	607	25%
EBITDA	**9,972**	8,687	1,285	15%
EBITDA as a % of total revenue	**52%**	52%		

For the nine months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Net income for the period	**19,894**	17,569	2,325	13%
Add (deduct):				
Depreciation	**1,151**	1,122	29	3%
Finance income	**(1,160)**	(422)	(738)	175%
Income and other taxes	**8,487**	7,266	1,221	17%
EBITDA	**28,372**	25,535	2,837	11%
EBITDA as a % of total revenue	**52%**	52%		

EBITDA increased by 15% and 11% for the three and nine months ended December 31, 2013, compared to the same periods of the previous fiscal year. This increase provides further indication of our ability to keep growing our license sales while effectively managing costs.

EBITDA as a percent of total revenue for the three and nine months ended December 31, 2013 remained consistent at 52% as compared to the same periods of the previous fiscal year.

Liquidity and Capital Resources

For the three months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Cash, beginning of period	**63,745**	50,694	13,051	26%
Cash flow from (used in):				
Operating activities	**6,724**	6,720	4	0%
Financing activities	**(5,545)**	(4,777)	(768)	16%
Investing activities	**(216)**	(401)	185	-46%
Cash, end of period	**64,708**	52,236	12,472	24%

For the nine months ended December 31, ($ thousands)	**2013**	2012	$ change	% change
Cash, beginning of period	**59,419**	55,374	4,045	7%
Cash flow from (used in):				
Operating activities	**19,464**	16,918	2,546	15%
Financing activities	**(13,706)**	(18,296)	4,590	-25%
Investing activities	**(469)**	(1,760)	1,291	-73%
Cash, end of period	**64,708**	52,236	12,472	24%

OPERATING ACTIVITIES

Cash flow generated from operating activities remained consistent in the three months ended December 31, 2013, compared to the same period of last year.

Cash flow generated from operating activities increased by $2.5 million in the nine months ended December 31, 2013, compared to the same period of last year, mainly due to the increase in net income for the period and the positive effect on the timing difference of when income taxes are recorded and paid offset by the timing difference of when sales are made and when the resulting receivables are collected and the change in the deferred revenue balance.

FINANCING ACTIVITIES

Cash used in financing activities during the three months ended December 31, 2013 increased by $0.8 million, compared to the same period of the previous fiscal year, as a result of paying larger dividends.

During the nine months ended December 31, 2013, cash used in financing activities decreased by $4.6 million, compared to the same period of the previous fiscal year, due to receiving higher proceeds from the issuance of Common Shares offset by paying larger dividends. In addition, in the first quarter of the previous fiscal year, CMG spent $1.6 million on buying back Common Shares.

During the nine months ended December 31, 2013, CMG employees and directors exercised options to purchase 884,000 Common Shares, which resulted in cash proceeds of $9.1 million (2012 – 601,000 options exercised to purchase Common Shares which resulted in cash proceeds of $5.1 million).

In the nine months ended December 31, 2013, CMG paid $22.9 million in dividends, representing the following quarterly dividends:

($ per share)	Q1	Q2	Q3
Dividends declared and paid	0.18	0.18	0.18
Special dividend declared and paid	0.05	-	-
Total dividends declared and paid	0.23	0.18	0.18

In the nine months 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, 2014 CMG announced the payment of a quarterly dividend of $0.19 per share on CMG's Common Shares. The dividend will be paid on March 14, 2014 to shareholders of record at the close of business on March 7, 2014.

Over the past 10 years, we have consistently raised our total annual dividend and paid out a special dividend at the end of each fiscal year as determined by our corporate performance. In recognition of the importance of a more regular income stream to our shareholders, as reported in fiscal 2012 Management's Discussion and Analysis, we decided to increase the relative proportion of dividends paid quarterly and lower the amount paid as a special annual dividend beginning in fiscal 2013. The above table demonstrates this increase in the regular quarterly dividend which amounted to $0.18 per share in Q1, Q2 and Q3 of fiscal 2014 compared to $0.16 per share in Q1, Q2 and Q3 of fiscal 2013.

Based on our expectation of solid profitability and cash-generating ability driven by the predictability of our software revenue base and effective management of costs, we are cautiously optimistic that the company is well positioned for future growth which will enable us to continue to pay quarterly dividends.

On April 16, 2012, the Company announced a Normal Course Issuer Bid ("NCIB") commencing on April 18, 2012 to purchase for cancellation up to 3,416,000 of its Common Shares. During the year ended March 31, 2013, a total of 91,000 Common Shares were purchased at market price for a total cost of $1,551,000.

On April 29, 2013, the Company announced a NCIB commencing on May 1, 2013 to purchase for cancellation up to 3,538,000 of its Common Shares. During the nine months ended December 31, 2013, no Common Shares were purchased.

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, 2013, CMG expended $0.5 million on property and equipment additions, primarily composed of computing equipment. CMG has a capital budget of $1.8 million for fiscal 2014.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2013, CMG has $64.7 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, 2013, 7,399,000 shares of CMG's public float were traded on the TSX. As at December 31, 2013, CMG's market capitalization based upon its December 31, 2013 closing price of $26.61 was $1.0 billion.

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 $5.5 million ($2.6 million net of overhead recoveries) for fiscal 2014. 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: 2014 – $0.5 million; 2015 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 2013 Annual Report.

Changes in Accounting Policies

Except as disclosed below, the accounting policies, presentation and methods of computation remain unchanged from those detailed in CMG’s 2013 Annual Report. The following new standards and interpretations have been adopted as detailed below:

- IFRS 10 *Consolidated Financial Statements*
  Replaces the guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities, and provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12. The Company adopted IFRS 10 for the annual period beginning on April 1, 2013. The adoption of IFRS 10 did not have a material impact on the condensed consolidated interim financial statements.

- IFRS 11 *Joint Arrangements*
  Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 replaces the guidance in IAS 31 *Interest in Joint Ventures*, and 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 joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures must now use the equity method of accounting. The Company adopted IFRS 11 for the annual period beginning on April 1, 2013. The adoption of IFRS 11 did not have a material impact on the condensed consolidated interim financial statements.

- IFRS 12 *Disclosure of Interests in Other Entities*
  Contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The Company adopted IFRS 12 for the annual period beginning on April 1, 2013. The adoption of IFRS 12 did not have a material impact on the condensed consolidated interim financial statements.

- IFRS 13 *Fair Value Measurement*
  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 measurement 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. The Company adopted IFRS 13 prospectively for the interim and annual periods beginning on April 1, 2013. The adoption of IFRS 13 did not have a material impact on the condensed consolidated interim financial statements other than the inclusion of certain fair value disclosures which were previously applicable to annual financial statements only.

- Amendments to IAS 1 *Presentation of Financial Statements*
  Require an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Company adopted the amendments for the annual period beginning on April 1, 2013. As the amendments only required changes in the presentation of items in other comprehensive income, the new standard did not have a material impact on the condensed consolidated interim financial statements.

- Amendments to IFRS 7 *Offsetting Financial Assets and Liabilities*
  Contains new disclosure requirements for offset financial assets and liabilities and netting arrangements. The Company adopted the amendments for the interim and annual periods beginning on April 1, 2013. The amendments to IFRS 7 did not have a material impact on the condensed consolidated interim financial statements.

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)). On July 24, 2013 the IASB tentatively decided to defer the mandatory effective date of IFRS 9. The mandatory effective date will be left open pending the finalisation of the impairment and classification and measurement requirements.	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 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 mandatory effective date of IFRS 9 (2010), which supersedes IFRS 9 (2009), has been left open by the IASB. Early adoption is permitted. The Company will determine when to adopt IFRS 9 (2010) when the IASB has determined the mandatory effective date and finalised the impairment and classification and measurement requirements. 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
Amendments to IAS 32, *Offsetting Financial Assets and Liabilities* In December 2011, the IASB published *Offsetting Financial Assets and Financial Liabilities* and issued new presentation requirements in IAS 32 *Financial Instruments: Presentation*. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively.	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 Company intends to adopt 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.
Amendments to IAS 36, *Impairment of Assets* In May 2013, the IASB published *Recoverable Amount Disclosures for Non-Financial Assets* detailing narrow scope amendments to IAS 36 *Impairment of Assets.* The effective date for the amendments to IAS 36 is annual periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively and earlier adoption is permitted for periods when IFRS 13 is applied.	The amendments to IAS 36 clarify IASB's original intention to require: • the disclosure of the recoverable amount of impaired assets; and • additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.	The Company intends to adopt the amendments to IAS 36 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.

Outstanding Share Data

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

As at February 11, 2014 (thousands)	
Common Shares	39,030
Options	3,093

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, 2014, CMG could grant up to 3,903,000 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 2013 in accordance with the COSO control framework. The evaluation confirmed the effectiveness of DC&P and ICFR at March 31, 2013. During our fiscal year 2014, we continue to monitor and review our controls and procedures.

During the nine months ended December 31, 2013, 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 stream continued to grow during the first nine months of fiscal 2014 with a recorded increase of 6%, compared to the same period of the previous fiscal year, with the most significant growth coming from the US at 23%. 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. We continue to experience increased license usage by our existing large clients as well as adding new accounts.

Our geographical diversification allows us to take advantage of opportunities internationally, and we will continue to extend our reach globally and focus our efforts on sustaining high renewal rates as well as increasing the number of licenses sold to both existing and new customers.

Although professional services are not the primary source of our revenue, we were able to grow this business by $2.0 million in the first nine months of fiscal 2014 as compared to the same period of the prior fiscal year.

Our profit margin continued to hold strong, demonstrating our continuous commitment to effectively manage our corporate costs. For the nine months ended December 31, 2013, our EBITDA represented 52% of our total revenue, remaining consistent with the same period of the previous fiscal year.

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. We strive to invest 20% of our top line towards continuous improvement of our product features as well as development of new capabilities in order to maintain our technological distinction and take advantage of new opportunities. We will continue fostering value-based, long-term relationships with our clients while helping them solve problems associated with hydrocarbon recovery, with an emphasis on the advanced recovery processes, which are increasing in complexity and where our products continue to gain increasing importance. With the growth in unconventional hydrocarbon and enhanced oil recovery (“EOR”) projects around the globe, we are seeing an increase in the use of reservoir simulation software by reservoir engineers. This growth in simulation use has been reflected in the number and types of projects being simulated and the amount of simulation done on each project. More recently, the North American market is seeing an increased opportunity in shale gas and liquids which use complex recovery processes that necessitate the use of simulation.

One of the instrumental parts of our success includes training programs which we offer to our customers to enable them to become more efficient and effective users of our software. We continue to see strong class attendance across all the regions.

CMG’s joint project to develop the newest generation of dynamic reservoir modelling systems (“DRMS Project”) continued to progress during the third quarter of the current fiscal year. The most recent beta version of the software was released at the beginning of calendar 2013, and the limited commercial release of the software was expected to be delivered to our partner companies, for the purposes of testing it on selected assets, by the end of calendar 2013. The upcoming release achieved its target of successfully simulating a complex integrated asset model; however, an unanticipated additional complexity in the model has delayed the software release to our partners to the fourth quarter of fiscal 2014. CMG and its partners remain committed to funding the ongoing development and to the future success of the project.

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.

Kenneth M. Dedeluk
President and Chief Executive Officer
February 11, 2014

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	**December 31, 2013**	March 31, 2013
Assets		
Current assets:		
Cash	**64,708**	59,419
Trade and other receivables	**15,446**	19,141
Prepaid expenses	**1,417**	1,216
Prepaid income taxes (note 7)	**122**	341
	81,693	80,117
Property and equipment	**2,622**	3,304
Total assets	**84,315**	83,421
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities	**5,311**	6,047
Income taxes payable (note 7)	**866**	296
Deferred revenue	**18,069**	25,289
	24,246	31,632
Deferred tax liability (note 7)	**228**	379
Total liabilities	**24,474**	32,011
Shareholders' equity:		
Share capital	**51,251**	40,498
Contributed surplus	**5,312**	4,673
Retained earnings	**3,278**	6,239
Total shareholders' equity	**59,841**	51,410
Total liabilities and shareholders' equity	**84,315**	83,421

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 2013	Three months ended December 31 2012	Nine months ended December 31 2013	Nine months ended December 31 2012
Revenue (note 4)	**19,227**	16,802	**54,527**	49,341
Operating expenses				
Sales, marketing and professional services	**4,119**	3,778	**11,605**	11,333
Research and development (note 5)	**3,816**	3,136	**10,706**	9,061
General and administrative	**1,717**	1,612	**4,995**	4,534
	9,652	8,526	**27,306**	24,928
Operating profit	**9,575**	8,276	**27,221**	24,413
Finance income (note 6)	**674**	280	**1,160**	422
Profit before income and other taxes	**10,249**	8,556	**28,381**	24,835
Income and other taxes (note 7)	**3,044**	2,437	**8,487**	7,266
Net and total comprehensive income	**7,205**	6,119	**19,894**	17,569
Earnings Per Share				
Basic (note 8(e))	**0.19**	0.16	**0.52**	0.47
Diluted (note 8(e))	**0.18**	0.16	**0.50**	0.45

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, 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 (note 8(b))	973	(973)	-	-
Balance, December 31, 2012	37,705	4,450	5,085	47,240
Balance, April 1, 2013	**40,498**	**4,673**	**6,239**	**51,410**
Total comprehensive income for the period	-	-	**19,894**	**19,894**
Dividends paid	-	-	**(22,855)**	**(22,855)**
Shares issued for cash on exercise of stock options (note 8(b))	**9,149**	-	-	**9,149**
Stock-based compensation:				
Current period expense	-	**2,243**	-	**2,243**
Stock options exercised (note 8(b))	**1,604**	**(1,604)**	-	-
Balance, December 31, 2013	**51,251**	**5,312**	**3,278**	**59,841**

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

UNAUDITED (thousands of Canadian $)	Three months ended December 31 **2013**	2012	Nine months ended December 31 **2013**	2012
Cash flows from operating activities				
Net income	**7,205**	6,119	**19,894**	17,569
Adjustments for:				
Depreciation	**397**	411	**1,151**	1,122
Income and other taxes (note 7)	**3,044**	2,437	**8,487**	7,266
Stock-based compensation (note 8(d))	**940**	656	**2,243**	1,888
Interest income (note 6)	**(160)**	(133)	**(479)**	(409)
	11,426	9,490	**31,296**	27,436
Changes in non-cash working capital:				
Trade and other receivables	**(2,256)**	1,775	**3,698**	4,855
Trade payables and accrued liabilities	**1,428**	660	**(736)**	(549)
Prepaid expenses	**(259)**	179	**(201)**	188
Deferred revenue	**(1,277)**	(2,731)	**(7,220)**	(6,183)
Cash generated from operating activities	**9,062**	9,373	**26,837**	25,747
Interest received	**160**	132	**476**	412
Income taxes paid	**(2,498)**	(2,785)	**(7,849)**	(9,241)
Net cash from operating activities	**6,724**	6,720	**19,464**	16,918
Cash flows from financing activities				
Proceeds from issue of common shares	**1,475**	1,273	**9,149**	5,061
Dividends paid	**(7,020)**	(6,050)	**(22,855)**	(21,806)
Common shares buy-back (note 8(c))	**-**	-	**-**	(1,551)
Net cash used in financing activities	**(5,545)**	(4,777)	**(13,706)**	(18,296)
Cash flows used in investing activities				
Property and equipment additions	**(216)**	(401)	**(469)**	(1,760)
Increase (decrease) in cash	**963**	1,542	**5,289**	(3,138)
Cash, beginning of period	**63,745**	50,694	**59,419**	55,374
Cash, end of period	**64,708**	52,236	**64,708**	52,236

See accompanying notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the three and nine months ended December 31, 2013 and 2012 (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, 2013 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, 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, 2013 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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, 2013.

These unaudited condensed consolidated financial statements as at and for the three and nine months ended December 31, 2013 were authorized for issuance by the Board of Directors on February 11, 2014.

(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, 2013.

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, 2013 prepared in accordance with IFRS applicable to those annual consolidated financial statements. Except as disclosed below, 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 consolidated financial statements for the year ended March 31, 2013.

NEW STANDARDS AND INTERPRETATIONS ADOPTED:

The Company has adopted the following new standards and amendments to standards, with a date of initial application of April 1, 2013:

- IFRS 10 *Consolidated Financial Statements*
  Replaces the guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*, and provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC-12. The adoption of IFRS 10 did not have a material impact on the condensed consolidated interim financial statements.

- IFRS 11 *Joint Arrangements*
  Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 replaces the guidance in IAS 31 *Interest in Joint Ventures*, and 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 joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures must now use the equity method of accounting. The adoption of IFRS 11 did not have a material impact on the condensed consolidated interim financial statements.

- IFRS 12 *Disclosure of Interests in Other Entities*
  Contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The adoption of IFRS 12 did not have a material impact on the condensed consolidated interim financial statements.

- IFRS 13 *Fair Value Measurement*
  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 measurement 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. Due to the nature of the Company's financial assets and liabilities, the adoption of IFRS 13 did not have a material impact on the condensed consolidated interim financial statements. It only resulted in the inclusion of certain fair value disclosures which were previously applicable to annual financial statements only (refer to note 9).

- Amendments to IAS 1 *Presentation of Financial Statements*
  Requires an entity to present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. As the amendments only required changes in the presentation of items in other comprehensive income, the new standard did not have a material impact on the condensed consolidated interim financial statements.

- Amendments to IFRS 7 *Offsetting Financial Assets and Liabilities*
  Contains new disclosure requirements for offset financial assets and liabilities and netting arrangements. The amendments to IFRS 7 did not have a material impact on the condensed consolidated interim financial statements.

4. Revenue:

For the three months ended December 31, (thousands of $)	**2013**	2012
Software licenses	**17,220**	15,369
Professional services	**2,007**	1,433
	19,227	16,802

For the nine months ended December 31, (thousands of $)	**2013**	2012
Software licenses	**48,491**	45,302
Professional services	**6,036**	4,039
	54,527	49,341

5. Research and Development Costs:

For the three months ended December 31, (thousands of $)	**2013**	2012
Research and development	**4,125**	3,586
Scientific research and experimental development ("SR&ED") investment tax credits	**(309)**	(450)
	3,816	3,136

For the nine months ended December 31, (thousands of $)	**2013**	2012
Research and development	**12,080**	10,458
Scientific research and experimental development ("SR&ED") investment tax credits	**(1,374)**	(1,397)
	10,706	9,061

6. Finance Income and Finance Costs:

For the three months ended December 31, (thousands of $)	**2013**	2012
Interest income	**160**	133
Net foreign exchange gain	**514**	147
Finance income	**674**	280

For the nine months ended December 31, (thousands of $)	**2013**	2012
Interest income	**479**	409
Net foreign exchange gain	**681**	13
Finance income	**1,160**	422

7. Income and Other Taxes:

The major components of income tax expense are as follows:

For the nine months ended December 31, (thousands of $)	2013	2012
Current year income taxes	**7,727**	6,655
Adjustment for prior year	**6**	67
Current income taxes	**7,733**	6,722
Deferred tax expense (recovery)	**(151)**	(61)
Foreign withholding and other taxes	**905**	605
	8,487	7,266

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)	2013	2012
Combined statutory tax rate	**25.00%**	25.00%
Expected income tax	**7,095**	6,209
Non-deductible costs	**582**	494
Effect of tax rates in foreign jurisdictions	**129**	17
Withholding taxes	**678**	454
Adjustment for prior year	**6**	67
Other	**(3)**	25
	8,487	7,266

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

(thousands of $)	December 31, 2013	March 31, 2013
Tax liability on SR&ED investment tax credits	**(244)**	(362)
Tax asset (liability) on property and equipment	**16**	(17)
Deferred tax liability	**(228)**	(379)

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 to different taxable entities.

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, 2012	37,307
Issued for cash on exercise of stock options	601
Common shares buy-back	(91)
Balance, December 31, 2012	37,817
Balance, April 1, 2013	**38,129**
Issued for cash on exercise of stock options	**884**
Balance, December 31, 2013	**39,013**

Subsequent to December 31, 2013, 17,000 stock options were exercised for cash proceeds of $206,000.

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 16, 2012, the Company announced a Normal Course Issuer Bid ("NCIB") commencing on April 18, 2012 to purchase for cancellation up to 3,416,000 of its Common Shares. During the year ended March 31, 2013, a total of 91,000 Common Shares were purchased at market price for a total cost of $1,551,000.

On April 29, 2013, the Company announced a NCIB commencing on May 1, 2013 to purchase for cancellation up to 3,538,000 of its Common Shares. During the nine months ended December 31, 2013, no Common Shares were purchased.

(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, 2013, the Company could grant up to 3,901,000 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, 2013**		For the year ended March 31, 2013	
	Options Granted	**Weighted Average Exercise Price ($/share)**	Options Granted	Weighted Average Exercise Price ($/share)
Outstanding at beginning of period	**2,938**	**13.13**	2,903	9.85
Granted	**1,154**	**24.41**	1,006	18.19
Exercised	**(885)**	**10.34**	(913)	8.15
Forfeited/cancelled	**(87)**	**16.34**	(58)	15.09
Outstanding at end of period	**3,120**	**18.00**	2,938	13.13
Options exercisable at end of period	**1,271**	**13.01**	1,207	9.75

The range of exercise prices of stock options outstanding and exercisable at December 31, 2013 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)
7.80 - 9.07	490	1.4	8.80	490	8.80
9.08 - 13.43	641	2.6	13.39	407	13.38
13.44 - 18.18	836	3.6	18.13	372	18.12
18.19 - 26.19	1,153	4.6	24.39	2	20.00
	3,120	3.4	18.00	1,271	13.01

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, 2013	For the year ended March 31, 2013
Fair value at grant date ($/option)	**3.06 to 4.33**	2.45 to 3.83
Share price at grant date ($/share)	**24.40 to 26.19**	17.90 to 21.75
Risk-free interest rate (%)	**1.21 to 1.64**	1.13 to 1.33
Estimated hold period prior to exercise (years)	**2 to 4**	2 to 4
Volatility in the price of common shares (%)	**26 to 28**	27 to 36
Dividend yield per common share (%)	**2.96 to 3.21**	3.39 to 4.12

The Company recognized total stock-based compensation expense for the three and nine months ended December 31, 2013 of $940,000 and $2,243,000 respectively (three and nine months ended December 31, 2012 – $656,000 and $1,888,000 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)	**2013**			2012		
	Earnings ($)	**Weighted Average Shares Outstanding**	**Earnings Per Share ($/share)**	Earnings ($)	Weighted Average Shares Outstanding	Earnings Per Share ($/share)
Basic	**7,205**	**38,939**	**0.19**	6,119	37,754	0.16
Dilutive effect of stock options		**921**			1,103	
Diluted	**7,205**	**39,860**	**0.18**	6,119	38,857	0.16

For the nine months ended December 31, (thousands except per share amounts)	**2013**			2012		
	Earnings ($)	**Weighted Average Shares Outstanding**	**Earnings Per Share ($/share)**	Earnings ($)	Weighted Average Shares Outstanding	Earnings Per Share ($/share)
Basic	**19,894**	**38,616**	**0.52**	17,569	37,538	0.47
Dilutive effect of stock options		**975**			1,127	
Diluted	**19,894**	**39,591**	**0.50**	17,569	38,665	0.45

During the three and nine months ended December 31, 2013, 40,000 and Nil options, respectively (three and nine months ended December 31, 2012 – 31,000, and 118,000 respectively), were excluded from the computation of the weighted-average number of diluted shares outstanding because their effect was not dilutive.

9. Financial Instruments:

(i) Classification of financial instruments

	Classification	Measurement
Cash	Held for trading	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Trade payables and accrued liabilities	Other financial liabilities	Amortized cost

(ii) Fair values of financial instruments

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

10. 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 $5.5 million ($2.6 million net of overhead recoveries) for fiscal 2014.

(b) LEASE COMMITMENTS:

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

Nine months ended December 31, (thousands of $)	**2013**	2012
Less than one year	**518**	499
Between one and five years	**5,170**	7,089
	5,688	7,588

11. 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, 2013, US $165,000 (March 31, 2013 – US $165,000) had been reserved on this line of credit for the letter of credit supporting a performance bond.

12. 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,	
	2013	2012	**2013**	2012
Canada	**19,610**	19,243	**2,423**	3,323
United States	**11,155**	8,736	**54**	49
South America	**9,411**	8,345	**83**	51
Eastern Hemisphere(1)	**14,351**	13,017	**62**	44
	54,527	49,341	**2,622**	3,467

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

In the nine months ended December 31, 2013 and 2012, no customer represented 10% or more of total revenue.

13. Joint Operation:

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, 2013, CMG included $1.3 million and $3.5 million, respectively (2012 - $1.0 million and $2.8 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 $0.6 million and $1.8 million during the three and nine months ended December 31, 2013 (2012 - $0.4 million and $1.3 million, respectively).

14. Subsequent Events:

On February 11, 2014, the Board of Directors declared a quarterly cash dividend of $0.19 per share on its Common Shares, payable on March 14, 2014, to all shareholders of record at the close of business on March 7, 2014.

CORPORATE INFORMATION

DIRECTORS

Kenneth M. Dedeluk

Christopher L. Fong (3)

Patrick R. Jamieson (5)

Peter H. Kinash (3) (5)

Frank L. Meyer
Chairman of the Board

Robert F. M. Smith (2)

John B. Zaozirny (1) (4)

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

OFFICERS

Kenneth M. Dedeluk
President & CEO

Robert R. Eastick
Vice President,
DRMS Development

Jim C. Erdle
Vice President,
USA & Latin America

R. David Hicks
Vice President,
Eastern Hemisphere

Sandra Balic
Vice President,
Finance & CFO

Long X. Nghiem
Vice President,
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Ryan N. Schneider
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TRANSFER AGENT

Valiant Trust Company

STOCK EXCHANGE LISTING

Toronto Stock Exchange: **CMG**