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COMPUTER MODELLING GROUP ANNOUNCES THIRD QUARTER RESULTS

CALGARY, ALBERTA – (Marketwired – February 10, 2017) – Computer Modelling Group Ltd. ("CMG" or the "Company") is very pleased to report our third quarter results for the three and nine months ended December 31, 2016.

Third Quarter Highlights

Three months ended December 31, ($ thousands, except per share data)	**2016**	2015	$ change	% change
Annuity/maintenance software licenses	**18,378**	17,297	1,081	6%
Perpetual software licenses	**835**	2,729	(1,894)	-69%
Total revenue	**20,295**	21,217	(922)	-4%
Operating profit	**9,811**	10,342	(531)	-5%
Net income	**7,259**	7,853	(594)	-8%
Earnings per share - basic	**0.09**	0.10	(0.01)	-10%

Nine months ended December 31, ($ thousands, except per share data)	**2016**	2015	$ change	% change
Annuity/maintenance software licenses	**50,650**	**50,825**	(175)	0%
Perpetual software licenses	**1,935**	**6,387**	(4,452)	-70%
Total revenue	**56,039**	**61,782**	(5,743)	-9%
Operating profit	**25,691**	**28,996**	(3,305)	-11%
Net income	**19,064**	**21,420**	(2,356)	-11%
Earnings per share - basic	**0.24**	**0.27**	(0.03)	-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 9, 2017, 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, 2016 and the audited consolidated financial statements and MD&A for the years ended March 31, 2016 and 2015 contained in the 2016 Financial 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.

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 partner in CoFlow 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 2016 Financial Report under the heading “Business Risks”:

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

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

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 process reservoir modelling software with a blue chip customer base of international oil companies and technology centers in approximately 60 countries. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities. CMG has sales and technical support services based in Calgary, Houston, London, Dubai, Bogota and Kuala Lumpur. CMG's Common Shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "CMG".

Quarterly Performance

	Fiscal 2015[(1)]	Fiscal 2016[(2)]				**Fiscal 2017[(3)]**		
($ thousands, unless otherwise stated)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
Annuity/maintenance licenses	16,063	16,738	16,790	17,297	16,980	16,893	15,379	**18,378**
Perpetual licenses	2,162	2,563	1,095	2,729	782	579	521	**835**
Software licenses	18,225	19,301	17,885	20,026	17,762	17,472	15,900	**19,213**
Professional services	2,147	2,139	1,240	1,191	1,254	1,345	1,027	**1,082**
Total revenue	20,372	21,440	19,125	21,217	19,016	18,817	16,927	**20,295**
Operating profit	8,520	10,494	8,160	10,342	7,040	8,975	6,905	**9,811**
Operating profit (%)	42	49	43	49	37	48	41	**48**
EBITDA[(4)]	8,945	10,824	8,519	10,686	7,389	9,277	7,189	**10,081**
Profit before income and other taxes	11,310	9,742	9,365	10,974	5,550	9,212	7,119	**10,176**
Income and other taxes	3,361	2,941	2,599	3,121	1,668	2,398	2,128	**2,917**
Net income for the period	7,949	6,801	6,766	7,853	3,882	6,814	4,991	**7,259**
Cash dividends declared and paid	7,848	7,876	7,891	7,871	7,876	7,896	7,929	**7,930**
Per share amounts - ($/share)								
Earnings per share - basic	0.10	0.09	0.09	0.10	0.05	0.09	0.06	**0.09**
Earnings per share - diluted	0.10	0.09	0.08	0.10	0.05	0.09	0.06	**0.09**
Cash dividends declared and paid	0.10	0.10	0.10	0.10	0.10	0.10	0.10	**0.10**

(1) Q4 of fiscal 2015 includes $0.3 million in revenue that pertains to usage of CMG's products in prior quarters.
(2) Q1, Q2, Q3 and Q4 of fiscal 2016 include $1.0 million, $0.3 million, $0.7 million and $0.9 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(3) Q1, Q2 and Q3 of fiscal 2017 include $1.8 million, $0.3 million and $3.7 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, 2016, as compared to the same period of the previous fiscal year, CMG:

- Experienced a decrease in total revenue of 9%;
- Achieved a reduction in total operating expenses of 7%;
- Maintained spending on research and development at 21% of total revenue.

During the nine months ended December 31, 2016, CMG:

- Realized basic earnings per share of $0.24;
- Declared and paid a regular dividend of $0.30 per share.

Revenue

Three months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Software licenses	**19,213**	20,026	(813)	-4%
Professional services	**1,082**	1,191	(109)	-9%
Total revenue	**20,295**	21,217	(922)	-4%
Software license revenue - % of total revenue	**95%**	94%		
Professional services - % of total revenue	**5%**	6%		

Nine months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Software licenses	**52,585**	57,212	(4,627)	-8%
Professional services	**3,454**	4,570	(1,116)	-24%
Total revenue	**56,039**	61,782	(5,743)	-9%
Software license revenue - % of total revenue	**94%**	93%		
Professional services - % of total revenue	**6%**	7%		

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

Total revenue decreased by 4% and 9% for the three and nine months ended December 31, 2016, respectively, compared to the same periods of the previous fiscal year, due to decreases 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-then-current version of the software and has the right to use that version in perpetuity. Annuity/maintenance license fees have historically had a high renewal rate and, accordingly, provide a reliable revenue stream, while perpetual license sales are more variable and unpredictable in nature as the purchase decision and its timing fluctuate with the customers' needs and budgets. The majority of CMG's customers who have acquired perpetual software licenses subsequently purchase our maintenance package to ensure ongoing product support and access to current versions of CMG's software.

Three months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Annuity/maintenance licenses	**18,378**	17,297	1,081	6%
Perpetual licenses	**835**	2,729	(1,894)	-69%
Total software license revenue	**19,213**	20,026	(813)	-4%
Annuity/maintenance as a % of total software license revenue	**96%**	86%		
Perpetual as a % of total software license revenue	**4%**	14%		

Nine months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Annuity/maintenance licenses	**50,650**	50,825	(175)	0%
Perpetual licenses	**1,935**	6,387	(4,452)	-70%
Total software license revenue	**52,585**	57,212	(4,627)	-8%
Annuity/maintenance as a % of total software license revenue	**96%**	89%		
Perpetual as a % of total software license revenue	**4%**	11%		

Total software license revenue decreased by 4% and 8% in the three and nine months ended December 31, 2016, respectively, compared to the same periods of the previous fiscal year, due to a decrease in perpetual license sales (which was partially offset by an increase in annuity/maintenance revenue in the three months ended December 31, 2016).

CMG's annuity/maintenance license revenue increased by 6% during the three months ended December 31, 2016, compared to the same period of the previous fiscal year, due to higher annuity revenue from South America, partially offset by decreases in all other regions.

CMG's annuity/maintenance license revenue remained flat during the nine months ended December 31, 2016, compared to the same period of the previous fiscal year, due to higher annuity revenue in South America, offset by decreases in all other regions.

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. The value 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 (see the Quarterly Software License Revenue graph). If we remove annuity/maintenance revenue that pertains to usage of CMG's products in prior quarters from the three months ended December 31, 2016 and 2015, we will notice that the annuity/maintenance revenue decreased by 12% instead of increasing by 6%. Similarly, if we normalize the nine months ended December 31, 2016 and 2015 for annuity/maintenance revenue that pertains to usage of CMG's products in prior quarters, we will notice that the annuity/maintenance revenue decreased by 8% instead of remaining flat.

Perpetual license sales decreased by 69% and 70% for the three and nine months ended December 31, 2016, respectively, compared to the same periods of the previous fiscal year, due to fewer perpetual sales being realized in most geographic areas. Software licensing under perpetual sales 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 tables below that the exchange rates between the US and Canadian dollars during the three and nine months ended December 31, 2016, 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:

Three months ended December 31, ($ thousands)		**2016**	2015	$ change	% change
US dollar annuity/maintenance license sales	**US$**	**11,113**	10,833	280	3%
Weighted average conversion rate		**1.350**	1.254		
Canadian dollar equivalent	**CDN$**	**14,999**	13,588	1,411	10%
US dollar perpetual license sales	**US$**	**543**	2,049	(1,506)	-73%
Weighted average conversion rate		**1.328**	1.333		
Canadian dollar equivalent	**CDN$**	**722**	2,732	(2,010)	-74%

Nine months ended December 31, ($ thousands)		**2016**	2015	$ change	% change
US dollar annuity/maintenance license sales	**US$**	**30,334**	31,457	(1,123)	-4%
Weighted average conversion rate		**1.347**	1.232		
Canadian dollar equivalent	**CDN$**	**40,866**	38,759	2,107	5%
US dollar perpetual license sales	**US$**	**1,388**	4,559	(3,171)	-70%
Weighted average conversion rate		**1.312**	1.293		
Canadian dollar equivalent	**CDN$**	**1,821**	5,893	(4,072)	-69%

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

Three months ended December 31, ($ thousands)	2015	Incremental License Growth	Foreign Exchange Impact	**2016**
Annuity/maintenance license sales	17,297	21	1,060	**18,378**
Perpetual license sales	2,729	(1,891)	(3)	**835**
Total software license revenue	20,026	(1,870)	1,057	**19,213**

Nine months ended December 31, ($ thousands)	2015	Incremental License Growth	Foreign Exchange Impact	**2016**
Annuity/maintenance license sales	50,825	(3,665)	3,490	**50,650**
Perpetual license sales	6,387	(4,479)	27	**1,935**
Total software license revenue	57,212	(8,144)	3,517	**52,585**

Software Revenue by Geographic Segment

Three months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Annuity/maintenance revenue				
Canada	**4,895**	5,626	(731)	-13%
United States	**3,930**	4,342	(412)	-9%
South America	**4,934**	1,746	3,188	183%
Eastern Hemisphere[(1)]	**4,619**	5,583	(964)	-17%
	18,378	17,297	1,081	6%
Perpetual revenue				
Canada	**114**	-	114	100%
United States	**-**	187	(187)	-100%
South America	**250**	522	(272)	-52%
Eastern Hemisphere	**471**	2,020	(1,549)	-77%
	835	2,729	(1,894)	-69%
Total software license revenue				
Canada	**5,009**	5,626	(617)	-11%
United States	**3,930**	4,529	(599)	-13%
South America	**5,184**	2,268	2,916	129%
Eastern Hemisphere	**5,090**	7,603	(2,513)	-33%
	19,213	20,026	(813)	-4%

Nine months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Annuity/maintenance revenue				
Canada	**14,350**	17,685	(3,335)	-19%
United States	**12,142**	12,983	(841)	-6%
South America	**9,177**	4,825	4,352	90%
Eastern Hemisphere[(1)]	**14,981**	15,332	(351)	-2%
	50,650	50,825	(175)	0%
Perpetual revenue				
Canada	**114**	496	(382)	-77%
United States	**80**	1,369	(1,289)	-94%
South America	**562**	982	(420)	-43%
Eastern Hemisphere	**1,179**	3,540	(2,361)	-67%
	1,935	6,387	(4,452)	-70%
Total software license revenue				
Canada	**14,464**	18,181	(3,717)	-20%
United States	**12,222**	14,352	(2,130)	-15%
South America	**9,739**	5,807	3,932	68%
Eastern Hemisphere	**16,160**	18,872	(2,712)	-14%
	52,585	57,212	(4,627)	-8%

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

During the three and nine months ended December 31, 2016, on a geographic basis, total software license sales decreased in all geographic segments, with the exception of South America, as compared to the same periods of the previous fiscal year.

The Canadian market (representing 28% of year-to-date total software revenue) experienced a 13% and 19% decrease in annuity/maintenance license sales during the three and nine months ended December 31, 2016, respectively, compared to the same periods of the previous fiscal year, due to a reduction in licensing by some customers. Modest perpetual sales were realized in Canada during the three and nine months ended December 31, 2016.

The United States market (representing 23% of year-to-date total software revenue) experienced a 9% and 6% decrease in annuity/maintenance license sales during the three and nine months ended December 31, 2016, respectively, compared to the same periods of the previous fiscal year, due to decreased spending by existing customers. During the three months ended December 31, 2016, no perpetual sales were realized in the United States. Perpetual revenue decreased by 94% during the nine months ended December 31, 2016, compared to the same period of the previous fiscal year, as a result of a significant perpetual sale in the first quarter of the previous fiscal year.

South America (representing 18% of year-to-date total software revenue) experienced a 183% and 90% increase in annuity/maintenance license sales during the three and nine months ended December 31, 2016, respectively, compared to the same periods of the previous fiscal year. The revenue in the South American region can be impacted by the variability of the amounts recorded from a customer for whom 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 in "Software License Revenue"). The most recent payments from this customer were recognized during the quarter ended December 31, 2016. To provide a normalized comparison, if we remove the revenue from this particular customer from the three months ended December 31, 2016, we will notice that the annuity/maintenance revenue decreased by 15% instead of increasing by 183%. The annuity/maintenance revenue for the nine months ended December 31, 2016, when normalized for the revenue from this particular customer, decreased by 22% instead of increasing by 90%.

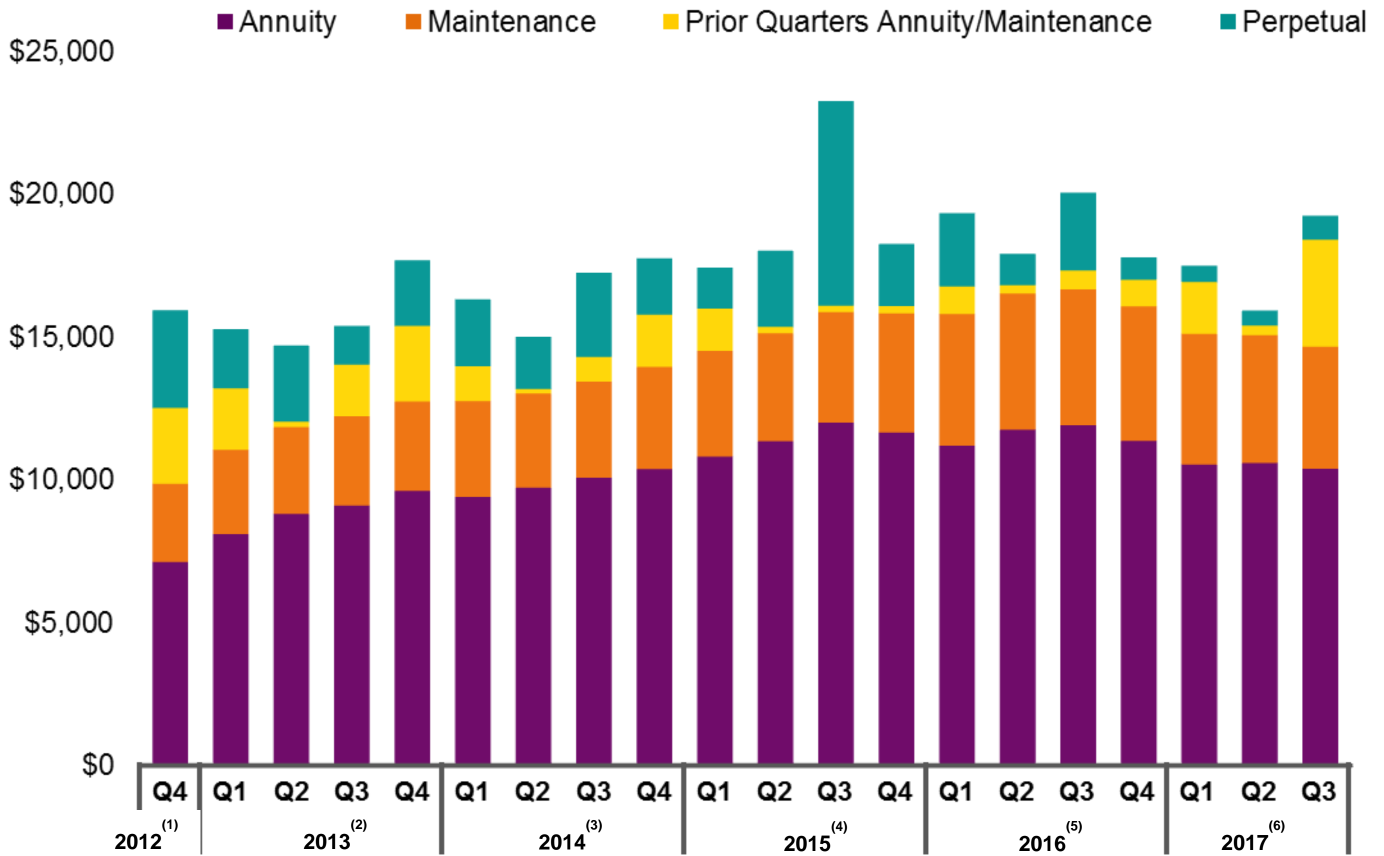
Fewer perpetual sales were realized in South America during the three and nine months ended December 31, 2016, representing a decrease of 52% and 43%, respectively, compared to the same periods of the previous fiscal year.

The Eastern Hemisphere (representing 31% of the year-to-date total software revenue) experienced a 17% decrease in annuity/maintenance license sales during the three months ended December 31, 2016, compared to the same period of the previous fiscal year, some of which is due to a decrease in annuity/maintenance revenue in Asia as a result of the timing difference when revenue on certain contracts was recognized in the three months ended December 31, 2015 compared to the same period of this year.

During the nine months ended December 31, 2016, the Eastern Hemisphere experienced a slight 2% decrease in annuity/maintenance license sales, compared to the same period of the previous fiscal year.

Fewer perpetual license sales were realized in the three and nine months ended December 31, 2016, compared to the same period of the previous fiscal year.

Quarterly Software License Revenue ($thousands)



(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, Q3 and Q4 of fiscal 2014 include $1.2 million, $0.2 million, $0.9 million, and $1.8 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

(4) Q1, Q2 Q3 and Q4 of fiscal 2015 include $1.5 million, $0.2 million, $0.2 million, and $0.3 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

(5) Q1, Q2 Q3 and Q4 of fiscal 2016 include $1.0 million, $0.3 million, $0.7 million, and $0.9 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

(6) Q1, Q2 and Q3 of fiscal 2017 include $1.8 million, $0.3 million and $3.7 million in revenue that pertains to usage of CMG's products in prior quarters.

Deferred Revenue

($ thousands)	**Fiscal 2017**	Fiscal 2016	Fiscal 2015	$ change	% change
Deferred revenue at:					
Q1 (June 30)	**26,154**	27,006		(852)	-3%
Q2 (September 30)	**20,787**	22,608		(1,821)	-8%
Q3 (December 31)	**18,916**	17,243		1,673	10%
Q4 (March 31)		33,629	32,663	966	3%

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

Deferred revenue as at Q3 of fiscal 2017 increased by 10%, compared to Q3 of fiscal 2016. The deferred revenue balance at December 31, 2016 includes a number of contracts that were not included in the deferred revenue balance in the comparative quarter, because the contracts were finalized and invoiced prior to December 31, 2016, whereas in the previous fiscal year the contracts were finalized and invoiced subsequent to December 31, 2015. If we were to normalize the deferred revenue balance for those contracts, we would see a decrease of 11% instead of an increase of 10%.

Professional Services Revenue

CMG recorded professional services revenue of $1.1 million and $3.5 million for the three and nine months ended December 31, 2016, which represented a decrease of $0.1 million and $1.1 million compared to the same periods of the previous fiscal year, due to a decline in project activity by our customers.

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

Expenses

Three months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Sales, marketing and professional services	**4,947**	5,217	(270)	-5%
Research and development	**4,086**	4,023	63	2%
General and administrative	**1,451**	1,635	(184)	-11%
Total operating expenses	**10,484**	10,875	(391)	-4%
Direct employee costs[(1)]	**8,080**	8,657	(577)	-7%
Other corporate costs	**2,404**	2,218	186	8%
	10,484	10,875	(391)	-4%

Nine months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Sales, marketing and professional services	**14,094**	15,379	(1,285)	-8%
Research and development	**11,836**	12,657	(821)	-6%
General and administrative	**4,418**	4,750	(332)	-7%
Total operating expenses	**30,348**	32,786	(2,438)	-7%
Direct employee costs[(1)]	**24,118**	26,392	(2,274)	-9%
Other corporate costs	**6,230**	6,394	(164)	-3%
	30,348	32,786	(2,438)	-7%

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

CMG’s total operating expenses decreased by 4% and 7% for the three and nine months ended December 31, 2016, compared to the same periods of the previous fiscal year, mainly due to a decrease in direct employee costs.

Direct Employee Costs

As a technology company, CMG’s largest area of expenditure is its people. Approximately 80% of the total operating expenses for nine months ended December 31, 2016 related to direct employee costs, consistent with the same period of the previous fiscal year. Staffing levels in the current fiscal year were slightly lower compared to the previous fiscal year. At December 31, 2016, CMG’s full-time equivalent staff complement was 204 employees and consultants, slightly down from 208 full-time equivalent employees and consultants as at December 31, 2015. Direct employee costs decreased during the three and nine months ended December 31, 2016, compared to the same periods of the previous fiscal year, due to lower bonuses, a decrease in stock-based compensation expense and the closure of the Venezuelan office in May of 2016.

Other Corporate Costs

Other corporate costs increased by 8% during the three months ended December 31, 2016, mainly due to an increase in the operating costs of our Colombian branch. Other corporate costs decreased by 5% during the nine months ended December 31, 2016, compared to the same period of the previous fiscal year, mainly due to less travel for business and training and lower depreciation, partially offset by the aforementioned operating costs of the Colombian branch during the quarter.

Research and Development

Three months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Research and development (gross)	**4,322**	4,364	(42)	-1%
SR&ED credits	**(236)**	(341)	105	-31%
Research and development	**4,086**	4,023	63	2%
Research and development as a % of total revenue	**20%**	19%		

Nine months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Research and development (gross)	**12,951**	13,743	(792)	-6%
SR&ED credits	**(1,115)**	(1,086)	(29)	3%
Research and development	**11,836**	12,657	(821)	-6%
Research and development as a % of total revenue	**21%**	20%		

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

The above research and development costs include $1.4 million and $4.1 million of costs for CoFlow for the three and nine months ended December 31, 2016, respectively, (2015 – $1.3 million and $4.4 million, respectively). See discussion under "Commitments, Off Balance Sheet Items and Transactions with Related Parties."

Research and development costs (gross) decreased by 1% and 6% during the three and nine months ended December 31, 2016, respectively, compared to the same periods of the previous fiscal year, mainly as a result of a lower bonus accrual and lower stock-based compensation expense.

SR&ED credits decreased by 31% for the three months ended December 31, 2016, compared to the same period of the previous fiscal year, mainly due to a decrease in hours spent on SR&ED-eligible projects. SR&ED credits increased slightly for the nine months ended December 31, 2016, compared to the same period of the previous fiscal year.

Depreciation

Three months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**94**	127	(33)	-26%
Research and development	**151**	178	(27)	-15%
General and administrative	**25**	39	(14)	-36%
Total depreciation	**270**	344	(74)	-22%

Nine months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**314**	382	(68)	-18%
Research and development	**456**	534	(78)	-15%
General and administrative	**86**	117	(31)	-26%
Total depreciation	**856**	1,033	(177)	-17%

Depreciation for the three and nine months ended December 31, 2016 decreased slightly, as compared to the same periods of the previous fiscal year.

Finance Income

Three months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Interest income	**136**	116	20	17%
Net foreign exchange gain	**229**	516	(287)	-56%
Total finance income	**365**	632	(267)	-42%

Nine months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Interest income	**437**	416	21	5%
Net foreign exchange gain	**379**	669	(290)	-43%
Total finance income	**816**	1,085	(269)	-25%

Interest income increased slightly in the three and nine months ended December 31, 2016, compared to the same periods of the previous fiscal year.

CMG is impacted by foreign exchange fluctuations as approximately 79% (2015 – 76%) of CMG's revenue for the nine months ended December 31, 2016 is denominated in US dollars, whereas only approximately 26% (2015 – 27%) of CMG's total costs are denominated in US dollars.

The following chart shows the exchange rates used to translate CMG's US dollar-denominated working capital at December 31, 2016, 2015 and 2014 and the average exchange rates used to translate income statement items during the nine months ended December 31, 2016, 2015 and 2014:

CDN$ to US$	At June 30	At September 30	At December 31	Nine month trailing average
2014	0.9367	0.8922	0.8620	0.9022
2015	0.8017	0.7466	0.7225	0.7694
2016	**0.7687**	**0.7624**	**0.7448**	**0.7644**

CMG recorded a net foreign exchange gain of $0.2 million and $0.4 million for the three and nine months ended December 31, 2016, respectively, compared to a net foreign exchange gain of $0.5 million and $0.7 million recorded in the respective periods of the previous fiscal year. A strengthening of the US dollar during the three and nine months ended December 31, 2016 contributed positively to the valuation of the Company's US dollar-denominated working capital.

Income and Other Taxes

CMG's effective tax rate for the nine months ended December 31, 2016 is 28.1% (2015 – 28.8%), whereas the prevailing Canadian statutory tax rate is now 27.0%. This difference is primarily due to the non-tax deductibility of stock-based compensation expense, slightly offset by the tax adjustments on the closure of the Venezuelan office.

The benefit recorded in CMG's books on the scientific research and experimental development ("SR&ED") investment tax credit program impacts deferred income taxes. The investment tax credit earned in the current fiscal year 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

Three months ended December 31, ($ thousands, except per share amounts)	**2016**	2015	$ change	% change
Total revenue	**20,295**	21,217	(922)	-4%
Operating expenses	**(10,484)**	(10,875)	391	-4%
Operating profit	**9,811**	10,342	(531)	-5%
Operating profit as a % of total revenue	**48%**	49%		
Net income for the period	**7,259**	7,853	(594)	-8%
Net income for the period as a % of total revenue	**36%**	37%		
Basic earnings per share ($/share)	**0.09**	0.10	(0.01)	-10%

Nine months ended December 31, ($ thousands, except per share amounts)	**2016**	2015	$ change	% change
Total revenue	**56,039**	61,782	(5,743)	-9%
Operating expenses	**(30,348)**	(32,786)	2,438	-7%
Operating profit	**25,691**	28,996	(3,305)	-11%
Operating profit as a % of total revenue	**46%**	47%		
Net income for the period	**19,064**	21,420	(2,356)	-11%
Net income for the period as a % of total revenue	**34%**	35%		
Basic earnings per share ($/share)	**0.24**	0.27	(0.03)	-11%

Operating profit as a percentage of total revenue for the three and nine months ended December 31, 2016 was 48% and 46%, respectively, which is consistent with the same periods of the previous fiscal year. Both revenue and operating expenses for the three and nine months ended December 31, 2016 decreased compared to the same periods of the previous fiscal year. As a result, operating profit as a percentage of total revenue stayed consistent.

Net income for the period as a percentage of revenue was 36% and 34% for the three and nine months ended December 31, 2016, respectively, which is consistent with the same period of the previous fiscal year.

EBITDA

Three months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Net income for the period	**7,259**	7,853	(594)	-8%
Add (deduct):				
Depreciation	**270**	344	(74)	-22%
Finance income	**(365)**	(632)	267	-42%
Income and other taxes	**2,917**	3,121	(204)	-7%
EBITDA	**10,081**	10,686	(605)	-6%
EBITDA as a % of total revenue	**50%**	50%		

Nine months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Net income for the period	**19,064**	21,420	(2,356)	-11%
Add (deduct):				
Depreciation	**856**	1,033	(177)	-17%
Finance income	**(816)**	(1,085)	269	-25%
Income and other taxes	**7,443**	8,661	(1,218)	-14%
EBITDA	**26,547**	30,029	(3,482)	-12%
EBITDA as a % of total revenue	**47%**	49%		

EBITDA decreased by 6% and 12% for the three and nine months ended December 31, 2016, respectively, compared to the same periods of the previous fiscal year. EBITDA as a percentage of total revenue remained consistent for the three months and decreased slightly for the nine months ended December 31, 2016, compared to the same periods of the previous fiscal year.

Liquidity and Capital Resources

Three months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Cash, beginning of period	**70,771**	66,806	3,965	6%
Cash flow (used in) from:				
Operating activities	**(2,568)**	6,281	(8,849)	-141%
Financing activities	**(7,927)**	(6,672)	(1,255)	19%
Investing activities	**(3,796)**	(215)	(3,581)	1666%
Cash, end of period	**56,480**	66,200	(9,720)	-15%

Nine months ended December 31, ($ thousands)	**2016**	2015	$ change	% change
Cash, beginning of period	**72,680**	75,342	(2,662)	-4%
Cash flow (used in) from:				
Operating activities	**10,705**	17,176	(6,471)	-38%
Financing activities	**(20,525)**	(25,150)	4,625	-18%
Investing activities	**(6,380)**	(1,168)	(5,212)	446%
Cash, end of period	**56,480**	66,200	(9,720)	-15%

Operating Activities

Cash flow from operating activities decreased by $8.8 million and $6.5 million in the three and nine months ended December 31, 2016, respectively, compared to the same periods of the previous fiscal year. This was mainly due to the negative impact of the timing difference of when sales are made and when the resulting receivables are collected, as well as lower net income, partially offset by lower income tax payments and the change in deferred revenue balance.

Financing Activities

Cash used in financing activities during the three months ended December 31, 2016 increased by $1.3 million, compared to the same period of the previous fiscal year, mainly due to lower proceeds from issue of common shares on option exercises. Cash used in financing activities during the nine months ended December 31, 2016 decreased by $4.6 million, compared to the same period of the previous fiscal year, mainly due to Common Share buy-backs in the previous year.

During the nine months ended December 31, 2016, CMG employees and directors exercised options to purchase 476,000 Common Shares, which resulted in cash proceeds of $3.2 million (2015 – 833,000 options exercised to purchase Common Shares, which resulted in cash proceeds of $5.4 million).

In the nine months ended December 31, 2016, CMG paid $23.8 million in dividends, representing the following quarterly dividends:

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

In the nine months ended December 31, 2015, CMG paid $23.6 million in dividends, representing the following quarterly dividends:

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

On February 9, 2017, CMG announced the payment of a quarterly dividend of $0.10 per share on CMG's Common Shares. The dividend will be paid on March 15, 2017 to shareholders of record at the close of business on March 7, 2017.

Based on our expectation of profitability and cash-generating ability, we are cautiously optimistic that the company is well positioned to continue paying quarterly dividends.

On May 21, 2015, the Company announced a Normal Course Issuer Bid ("NCIB") commencing on May 25, 2015 to purchase for cancellation up to 7,447,000 of its Common Shares. This NCIB ended on May 24, 2016, and during the year ended March 31, 2016, 589,000 Common Shares were purchased at market price for a total cost of $6.9 million (nine months ended December 31, 2015 – 589,000 Common Shares were purchased at market price for a total cost of $6.9 million).

On May 20, 2016, the Company announced a NCIB commencing on May 25, 2016 to purchase for cancellation up to 7,485,000 of its Common Shares. During the three and nine months ended December 31, 2016, 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, 2016, CMG spent $6.4 million on property and equipment additions, primarily composed of computing equipment and leasehold improvements. See "Liquidity and Capital Resources" for further discussion of the capital budget.

Liquidity and Capital Resources

At December 31, 2016, CMG has $56.5 million in cash, no debt, and has access to approximately $0.8 million under a line of credit with its principal banker. The company's primary non-operating uses of cash are for paying dividends, purchasing shares and infrastructure for the new Calgary headquarters.

Our total capital budget for fiscal 2017 has been revised to $17.0 million, which includes $16.0 million for infrastructure for the new Calgary headquarters. During the nine months ended December 31, 2016, the Company recorded additions of $7.7 million for the new headquarters ($4.9 million of that was paid in cash and the remaining $2.8 million is included in trade payables and accrued liabilities as at December 31, 2016).

During the nine months ended December 31, 2016, 13,405,000 shares of CMG's public float were traded on the TSX. As at December 31, 2016, CMG's market capitalization based upon its December 31, 2016 closing price of $9.11 was $722.4 million.

Commitments, Off Balance Sheet Items and Transactions with Related Parties

The Company has been working on development of CoFlow, the newest generation of reservoir and production system simulation software, since 2006. From its inception to December 31, 2016, CoFlow was a joint project with partners Shell International Exploration and Production BV ("Shell") and Petroleo Brasileiro S.A. ("Petrobras"). In response to Petrobras' end of its financial participation in the joint development project on January 1, 2017, CMG has reduced the headcount of the CoFlow development team by eight employees and contractors in January 2017.

Under the new five-year agreement between CMG and Shell, CMG will be responsible for research and development costs of CoFlow, while Shell will provide a fixed fee contribution for the continuing development of the software. The Company's revenue and costs associated with CoFlow are estimated to be $1.0 million and $2.0 million, respectively, for the remainder of fiscal 2017. The Company estimates that revenue and costs associated with CoFlow development will approximate $4.0 million and $8.3 million, respectively, in fiscal 2018, which will result in approximately $1.5 million net incremental cost to CMG in comparison to the previous joint project arrangement. CMG plans to continue funding project costs from internally generated cash flows.

CMG has very little in the way of other ongoing material contractual obligations other than pre-sold licenses, which are reflected as deferred revenue on the statement of financial position, and contractual obligations for office leases, which are estimated for our fiscal years as follows: 2017 – $0.7 million; 2018 – $3.7 million; 2019 – $4.7 million; 2020 – $4.7 million; 2021 – $4.6 million; thereafter – $82.0 million. These amounts include a twenty-year operating lease for the new Calgary headquarters, which will commence in fiscal 2018.

Business Risks and Critical Accounting Estimates

These remain unchanged from the factors detailed in CMG's 2016 Financial Report.

Changes in Accounting Policies

Accounting policies, presentation and methods of computation remain unchanged from those detailed in CMG's 2016 Financial 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:

IFRS 9 *Financial Instruments*

Replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets, amends the impairment model and includes a new general hedge accounting standard. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The Company intends to adopt IFRS 9 in its consolidated financial statements

beginning April 1, 2018. The Company does not expect IFRS 9 to have a material impact on the consolidated financial statements because of the nature of the Company's operations and the types of financial assets that it holds.

IFRS 15 *Revenue from Contracts with Customers*

Replaces the guidance in IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services* with a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The effective date for IFRS 15 is for annual periods beginning on or after January 1, 2018. IFRS 15 is available for early adoption. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning April 1, 2018. The Company is in the process of assessing the impact the adoption of the standard will have on the financial statements.

IFRS 16 *Leases*

Replaces the guidance in IAS 17 *Leases* and requires the recognition of most leases on the balance sheet. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low value items. IFRS 16 is effective January 1, 2019, with earlier adoption permitted. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning April 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

Outstanding Share Data

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

(thousands)	
Common Shares	79,295
Options	7,457

On July 13, 2005, CMG adopted a rolling stock option plan which allows the Company to grant options to its employees, officers 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 9, 2017, CMG could grant up to 7,929,000 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 2016 in accordance with the COSO control framework (2013). The evaluation confirmed the effectiveness of DC&P and ICFR at March 31, 2016. During our fiscal year 2017, we continue to monitor and review our controls and procedures.

During the nine months ended December 31, 2016, 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

During the current quarter, our annuity and maintenance revenue increased by 6% due to recognizing payments from one large customer for whom revenue is recognized only when cash is received. On a year-to-date basis, annuity and maintenance revenue has remained flat, as the decreases that we have been experiencing during fiscal 2017 have been offset by the aforementioned payments. Our revenue from foreign regions continues to be positively affected by the strengthening of the US dollar. During the current quarter and year-to-date, we realized fewer perpetual sales than in the same periods of the previous fiscal year, reflective of the budgetary cuts by our customers.

As the price of oil has stabilized at just over US$50 per barrel towards the end of calendar 2016 and beginning of 2017, we have observed positive sentiment in the oil and gas sector with increased activity and lesser budgetary constraints. While we are encouraged by the positive indicators in the oil industry, reductions in budgets and activity levels by our customers over the past couple of years have affected the utilization levels of our software during fiscal 2017, resulting in lower revenue. In response to decreased revenue, we have suspended employee recruitment and reduced discretionary spending to control costs.

As producers continue to look for ways to operate efficiently in a low oil price environment, we believe they will continue to seek reservoir simulation solutions to enhance production from their existing and new assets, and CMG will continue to provide the most advanced reservoir simulation tools to assist companies with their reservoir planning, management and optimization.

R11 of CoFlow, the most recent version of CMG's dynamic reservoir and production modelling system, is currently in the stabilization phase with the anticipated release in February 2017 to CMG's business development as well as Shell and Petrobras to be used on their selected target assets. R11 has made material progress on improving the runtime performance in identified areas, and there will be continued work in this area in future releases. Effective January 1, 2017, Petrobras ended their financial participation in the project, following which CMG and Shell have entered into a new five-year agreement under which CMG will be responsible for the costs of CoFlow development and Shell will partially fund and participate in the continued software development. The CoFlow team continues to work on the next version of the software, R12, which is expected to be used on additional target assets selected by Shell and Petrobras and other potential customers' assets that may be identified.

During the current quarter, we maintained our quarterly dividend of $0.10 per share.

Kenneth M. Dedeluk
President and Chief Executive Officer
February 9, 2017

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	**December 31, 2016**	March 31, 2016
Assets		
Current assets:		
Cash	**56,480**	72,680
Trade and other receivables	**17,430**	21,093
Prepaid expenses	**1,419**	1,222
Prepaid income taxes (note 7)	**384**	3,173
	75,713	98,168
Property and equipment	**10,927**	3,245
Total assets	**86,640**	101,413
Liabilities and shareholders' equity		
Current liabilities:		
Trade payables and accrued liabilities	**8,228**	7,527
Income taxes payable (note 7)	**17**	800
Deferred revenue	**18,916**	33,629
	27,161	41,956
Deferred tax liability (note 7)	**123**	199
Total liabilities	**27,284**	42,155
Shareholders' equity:		
Share capital (note 8)	**69,899**	66,007
Contributed surplus	**11,294**	10,397
Retained earnings (deficit)	**(21,837)**	(17,146)
Total shareholders' equity	**59,356**	59,258
Total liabilities and shareholders' equity	**86,640**	101,413

Subsequent events (notes 8(b), 13 and 14)

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

UNAUDITED (thousands of Canadian $ except per share amounts)	Three months ended December 31		Nine months ended December 31	
	2016	2015	**2016**	2015
Revenue (note 4)	**20,295**	21,217	**56,039**	61,782
Operating expenses				
Sales, marketing and professional services	**4,947**	5,217	**14,094**	15,379
Research and development (note 5)	**4,086**	4,023	**11,836**	12,657
General and administrative	**1,451**	1,635	**4,418**	4,750
	10,484	10,875	**30,348**	32,786
Operating profit	**9,811**	10,342	**25,691**	28,996
Finance income (note 6)	**365**	632	**816**	1,085
Profit before income and other taxes	**10,176**	10,974	**26,507**	30,081
Income and other taxes (note 7)	**2,917**	3,121	**7,443**	8,661
Net and total comprehensive income	**7,259**	7,853	**19,064**	21,420
Earnings Per Share				
Basic (note 8(e))	**0.09**	0.10	**0.24**	0.27
Diluted (note 8(e))	**0.09**	0.10	**0.24**	0.27

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Changes in Equity

UNAUDITED (thousands of Canadian $)	Common Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance, April 1, 2015	59,397	8,561	(4,502)	63,456
Total comprehensive income for the period	-	-	21,420	21,420
Dividends paid	-	-	(23,638)	(23,638)
Shares issued for cash on exercise of stock options (note 8(b))	5,394	-	-	5,394
Common shares buy-back (notes 8(b) & (c))	(474)	-	(6,432)	(6,906)
Stock-based compensation:				
Current period expense	-	2,276	-	2,276
Stock options exercised (note 8(b))	957	(957)	-	-
Balance, December 31, 2015	65,274	9,880	(13,152)	62,002
Balance, April 1, 2016	**66,007**	**10,397**	**(17,146)**	**59,258**
Total comprehensive income for the period	-	-	**19,064**	**19,064**
Dividends paid	-	-	**(23,755)**	**(23,755)**
Shares issued for cash on exercise of stock options (note 8(b))	**3,230**	-	-	**3,230**
Stock-based compensation:				
Current period expense	-	**1,559**	-	**1,559**
Stock options exercised (note 8(b))	**662**	**(662)**	-	**-**
Balance, December 31, 2016	**69,899**	**11,294**	**(21,837)**	**59,356**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

UNAUDITED (thousands of Canadian $)	Three months ended December 31		Nine months ended December 31	
	2016	2015	**2016**	2015
Operating activities				
Net income	**7,259**	7,853	**19,064**	21,420
Adjustments for:				
Depreciation	**270**	344	**856**	1,033
Income and other taxes (note 7)	**2,917**	3,121	**7,443**	8,661
Stock-based compensation (note 8(d))	**465**	650	**1,632**	2,276
Interest income (note 6)	**(136)**	(116)	**(437)**	(416)
	10,775	11,852	**28,558**	32,974
Changes in non-cash working capital:				
Trade and other receivables	**(11,295)**	2,516	**3,902**	12,581
Trade payables and accrued liabilities	**1,038**	774	**(1,530)**	(1,219)
Prepaid expenses	**(216)**	(316)	**(197)**	(272)
Deferred revenue	**(1,871)**	(5,365)	**(14,713)**	(15,420)
Cash (used in) provided by operating activities	**(1,569)**	9,461	**16,020**	28,644
Interest received	**142**	117	**443**	431
Income taxes paid	**(1,141)**	(3,297)	**(5,758)**	(11,899)
Net cash (used in) provided by operating activities	**(2,568)**	6,281	**10,705**	17,176
Financing activities				
Proceeds from issue of common shares	**3**	1,661	**3,230**	5,394
Dividends paid	**(7,930)**	(7,871)	**(23,755)**	(23,638)
Common shares buy-back (note 8(b) & (c))	**-**	(462)	**-**	(6,906)
Net cash used in financing activities	**(7,927)**	(6,672)	**(20,525)**	(25,150)
Investing activities				
Property and equipment additions	**(3,796)**	(215)	**(6,380)**	(1,168)
Decrease in cash	**(14,291)**	(606)	**(16,200)**	(9,142)
Cash, beginning of period	**70,771**	66,806	**72,680**	75,342
Cash, end of period	**56,480**	66,200	**56,480**	66,200

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Financial Statements

For the three and nine months ended December 31, 2016 and 2015 (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 interim financial statements as at and for the three and nine months ended December 31, 2016 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 interim 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, 2016 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, 2016.

These unaudited condensed consolidated interim financial statements as at and for the three and nine months ended December 31, 2016 were authorized for issuance by the Board of Directors on February 9, 2017.

(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, 2016.

3. Significant Accounting Policies:

The condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended March 31, 2016 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 interim financial statements as were applied in the Company's consolidated financial statements for the year ended March 31, 2016.

4. Revenue:

Three months ended December 31, (thousands of $)	**2016**	2015
Software licenses	**19,213**	20,026
Professional services	**1,082**	1,191
	20,295	21,217

Nine months ended December 31, (thousands of $)	**2016**	2015
Software licenses	**52,585**	57,212
Professional services	**3,454**	4,570
	56,039	61,782

5. Research and Development:

Three months ended December 31, (thousands of $)	**2016**	2015
Research and development	**4,322**	4,364
Scientific research and experimental development ("SR&ED") investment tax credits	**(236)**	(341)
	4,086	4,023

Nine months ended December 31, (thousands of $)	**2016**	2015
Research and development	**12,951**	13,743
Scientific research and experimental development ("SR&ED") investment tax credits	**(1,115)**	(1,086)
	11,836	12,657

6. Finance Income:

Three months ended December 31, (thousands of $)	**2016**	2015
Interest income	**136**	116
Net foreign exchange gain	**229**	516
Finance income	**365**	632

Nine months ended December 31, (thousands of $)	**2016**	2015
Interest income	**437**	416
Net foreign exchange gain	**379**	669
Finance income	**816**	1,085

7. Income and Other Taxes:

The major components of income tax expense are as follows:

Nine months ended December 31, (thousands of $)	**2016**	2015
Current year income taxes	**7,727**	8,540
Adjustment for prior year	**(70)**	(263)
Current income taxes	**7,657**	8,277
Deferred tax recovery	**(76)**	(76)
Foreign withholding and other taxes	**(138)**	460
	7,443	8,661

The provision for income and other taxes reported differs from the amount computed by applying the combined Canadian Federal and Provincial statutory rate to the profit before income and other taxes.

The reasons for this difference and the related tax effects are as follows:

Nine months ended December 31, (thousands of $, unless otherwise stated)	**2016**	2015
Combined statutory rate	**27.00%**	26.50%
Expected income tax	**7,157**	7,971
Non-deductible costs	**548**	635
Effect of tax rates in foreign jurisdictions	**18**	52
Withholding taxes	**(150)**	324
Adjustment for prior year	**(70)**	(263)
Other	**(60)**	(58)
	7,443	8,661

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

(thousands of $)	**December 31, 2016**	March 31, 2016
Tax liability on SR&ED investment tax credits	**(193)**	(287)
Tax asset on property and equipment	**70**	88
Net deferred liability	**(123)**	(199)

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

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

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, 2015	78,487
Issued for cash on exercise of stock options	833
Common shares buy-back	(589)
Balance, December 31, 2015	78,731
Balance, April 1, 2016	**78,819**
Issued for cash on exercise of stock options	**476**
Balance, December 31, 2016	**79,295**

On May 20, 2015, 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 has since been succeeded by Computershare Trust Company of Canada as the Company's transfer agent and registrar). The Amended and Restated Rights Plan is similar in all respects to the existing shareholder rights plan, with the exception of certain minor amendments. The Amended and Restated Rights Plan was approved by the Company's shareholders on July 9, 2015.

(c) Common Shares Buy-back:

On May 21, 2015, the Company announced a Normal Course Issuer Bid ("NCIB") commencing on May 25, 2015 to purchase for cancellation up to 7,447,000 of its Common Shares. This NCIB ended on May 24, 2016, and during the year ended March 31, 2016, 589,000 Common Shares were purchased at market price for a total cost of $6,906,000 (nine months ended December 31, 2015 – 589,000 Common Shares were purchased at market price for a total cost of $6,906,000).

On May 20, 2016, the Company announced a NCIB commencing on May 25, 2016 to purchase for cancellation up to 7,485,000 of its Common Shares. During the three and nine months ended December 31, 2016, no Common Shares were purchased.

(d) Stock-Based Compensation:

(i) Stock Option Plan

The Company adopted a rolling stock option plan as of July 13, 2005, which was reaffirmed by the Company's shareholders on July 10, 2014, 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, 2016, the Company could grant up to 7,929,000 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:

	Nine months ended December 31, 2016		Year ended March 31, 2016	
	Number of Options (thousands)	**Weighted Average Exercise Price ($/share)**	Number of Options (thousands)	Weighted Average Exercise Price ($/share)
Outstanding at beginning of period	**7,182**	**11.54**	7,000	10.76
Granted	**906**	**9.78**	1,265	12.32
Exercised	**(476)**	**6.78**	(921)	6.52
Forfeited/expired	**(155)**	**11.88**	(162)	12.48
Outstanding at end of period	**7,457**	**11.62**	7,182	11.54
Options exercisable at end of period	**5,440**	**11.72**	4,379	10.89

The range of exercise prices of stock options outstanding and exercisable at December 31, 2016 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)
8.95 to 9.55	1,264	0.6	9.09	1,260	9.09
9.56 to 9.78	884	4.6	9.78	-	-
9.79 to 12.26	2,090	1.6	12.18	2,074	12.19
12.27 to 12.85	1,222	3.6	12.32	611	12.32
12.86 to 14.97	1,997	2.6	13.04	1,495	13.04
	7,457	2.4	11.62	5,440	11.72

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

	Nine months ended December 31, 2016	Year ended March 31, 2016
Fair value at grant date ($/option)	**1.29 to 1.54**	1.44 to 2.39
Share price at grant date ($/share)	**8.96 to 10.16**	11.06 to 13.98
Risk-free interest rate (%)	**0.52 to 0.73**	0.41 to 0.87
Estimated hold period prior to exercise (years)	**3 to 4**	2 to 4
Volatility in the price of common shares (%)	**29 to 31**	25 to 28
Dividend yield per common share (%)	**4.03 to 4.65**	2.92 to 3.69

(ii) Share Appreciation Rights Plan

The Company adopted a share appreciation rights plan in November 2015. A share appreciation right ("SAR") entitles the holder to receive a cash payment equal to the difference between the stated exercise price and the market price of the Company's Common Shares on the date the SAR is exercised. The SARs are granted to executive officers and employees residing and working outside of Canada. The outstanding SARs 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 SARs have a five-year life.

The following table outlines changes in SARs:

	Nine months ended December 31, 2016		Year ended March 31, 2016	
	Number of SARs (thousands)	**Weighted Average Exercise Price ($/SAR)**	Number of SARs (thousands)	Weighted Average Exercise Price ($/SAR)
Outstanding at beginning of period	**-**	**-**	-	-
Granted	**222**	**9.78**	-	-
Exercised	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Outstanding at end of period	**222**	**9.78**	-	-
SARs exercisable at end of period	**-**	**-**	-	-

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense:

Three months ended December 31, (thousands of $)	**2016**	2015
Stock option plan	**41**	650
Share appreciation rights plan	**424**	-
Total stock-based compensation expense	**465**	650

Nine months ended December 31, (thousands of $)	**2016**	2015
Stock option plan	**1,559**	2,276
Share appreciation rights plan	**73**	-
Total stock-based compensation expense	**1,632**	2,276

Liability Recognized for Share-Based Compensation

The fair value of SARs recorded in trade payables and accrued liabilities was $73,000 at December 31, 2016 ($nil at March 31, 2016).

(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:

Three months ended December 31, (thousands except per share amounts)		**2016**			2015	
	Earnings ($)	**Weighted Average Shares Outstanding**	**Earnings Per Share ($/share)**	Earnings ($)	Weighted Average Shares Outstanding	Earnings Per Share ($/share)
Basic	**7,259**	**79,295**	**0.09**	7,853	78,614	0.10
Dilutive effect of stock options		**6**			439	
Diluted	**7,259**	**79,301**	**0.09**	7,853	79,053	0.10

Nine months ended December 31, (thousands except per share amounts)	**2016**			2015		
	Earnings ($)	**Weighted Average Shares Outstanding**	**Earnings Per Share ($/share)**	Earnings ($)	Weighted Average Shares Outstanding	Earnings Per Share ($/share)
Basic	**19,064**	**79,111**	**0.24**	21,420	78,748	0.27
Dilutive effect of stock options		**122**			739	
Diluted	**19,064**	**79,233**	**0.24**	21,420	79,487	0.27

During the three and nine months ended December 31, 2016, Nil options (three and nine months ended December 31, 2015 – Nil and 1,000 options, respectively), were excluded from the computation of the weighted-average number of diluted shares outstanding because their effect was not dilutive.

9. Financial Instruments:

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

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

10. Commitments:

(a) Research Commitments:

The Company is the operator of a joint project, a collaborative effort with its partners Shell International Exploration and Production BV (“Shell”) and Petroleo Brasileiro S.A. (“Petrobras”), to jointly develop CoFlow, the newest generation of reservoir and production system simulation software (note 13).

Effective January 1, 2017, Petrobras’ financial participation in the joint development project has ended. The new agreement with Shell includes a fixed fee payable to CMG for continuing development of CoFlow. The Company’s revenue and costs associated with the project are estimated to be $1.0 million and $2.0 million, respectively, for the remainder of fiscal 2017.

(b) Lease Commitments:

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

As at December 31, (thousands of $)	**2016**	2015
Less than one year	**3,155**	2,153
Between one and five years	**18,657**	16,807
More than five years	**78,525**	83,184
	100,337	102,144

The Company entered into a twenty year operating lease commitment relating to its new Calgary headquarters commencing in calendar 2017. The minimum annual lease payments have been reflected in the above schedule. In addition to the operating lease commitment, the Company expects to invest approximately $8.0 million in infrastructure for the new headquarters for the remainder of fiscal 2017. This estimate is based on the Company’s assessment of its infrastructure requirements and the contractors’ current rates.

To date, the Company has spent $9.2 million on infrastructure for the new headquarters, of which $7.7 million was incurred in the nine months ended December 31, 2016 ($4.9 million of that was paid in cash and the remaining $2.8 million is included in trade payables and accrued liabilities as at December 31, 2016).

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, 2016, US $215,000 (March 31, 2016 – US $215,000) had been reserved on this line of credit for letters 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**
	Nine months ended December 31,		As at December 31,	
	2016	2015	**2016**	2015
Canada	**16,095**	20,381	**10,478**	2,259
United States	**12,355**	14,605	**207**	265
South America	**10,802**	7,341	**186**	266
Eastern Hemisphere[1]	**16,787**	19,455	**56**	63
	56,039	61,782	**10,927**	2,853

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

In the nine months ended December 31, 2016 and 2015, no customer represented 10% or more of total revenue.

13. Joint Operation:

The Company is the operator of a joint software development project to develop CoFlow, 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, 2016, CMG included $1.4 million and $4.1 million, respectively (three and nine months ended December 31, 2015 - $1.3 million and $4.4 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 its partners for various services provided as operator, which were recorded in revenue as professional services and amounted to $0.6 million and $2.1 million during the three and nine months ended December 31, 2016, respectively (three and nine months ended December 31, 2015 – $0.6 million and $2.1 million, respectively).

Effective January 1, 2017, Petrobras' financial participation in the joint development project has ended. The new agreement with Shell does not meet the definition of a joint arrangement, and as such, starting January 1, 2017, the Company will cease proportionate consolidation of CoFlow.

14. Subsequent Event:

On February 9, 2017, the Board of Directors declared a quarterly cash dividend of $0.10 per share on its Common Shares, payable on March 15, 2017, to all shareholders of record at the close of business on March 7, 2017.

For further information, please contact:

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