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 May 22, 2013, should be read in conjunction with the audited consolidated financial statements and related notes of the Company for the years ended March 31, 2013 and 2012. 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.

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 and Bogota. CMG's Common Shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "CMG".

VISION, BUSINESS AND STRATEGY

CMG's vision is to become the leading developer and supplier of dynamic reservoir modelling systems in the world. Early in its life CMG made the strategic decision to focus its research and development efforts on providing solutions for the simulation of difficult hydrocarbon recovery techniques, a decision that created the foundation for CMG's dominant market presence today in the simulation of advanced hydrocarbon recovery processes. CMG has continued this commitment by increasing spending on research and development and working closely with its customers to develop simulation tools relevant to the challenges and opportunities they face today. This includes the DRMS project, a collaborative effort with our partners Shell International Exploration and Production BV ("Shell") and Petroleo Brasileiro S.A. ("Petrobras") to jointly develop the newest generation of reservoir simulation software. Our target is to develop a dynamic system that does more than optimize reservoir recovery; it will model the entire hydrocarbon reservoir system, including production modelling systems.

Since its inception over thirty years ago, CMG has remained focused on assisting its customers in unlocking the value of their hydrocarbon reservoirs. With petroleum production using conventional methods on the decline, the petroleum industry must use more difficult and costly advanced process extraction methods, while being faced with more governmental and regulatory requirements over environmental concerns. CMG's success can, in turn, be correlated with the oil industry becoming more reliant on the use of simulation technology due to the maturity of conventional petroleum reservoirs and the complexities of both current and emerging production processes.

CMG's success can specifically be attributed to a number of factors: advanced physics, ongoing enhancements to the Company's already robust product line, improved computational speed, parallel computing ability, ease of use features of the pre- and post-processor applications, cost effectiveness of the CMG solution for customers, and the knowledge base of CMG's personnel to support and advance its software.

CMG currently sells reservoir simulation software licenses to over 500 oil and gas companies, consulting firms and research institutions in over 50 countries. In combination with its principal business of selling software licenses, CMG also provides professional services consisting of highly specialized consulting, support, training, and funded research activities for its clients. While the generation of professional services revenue specifically tied to the provision of consulting services is not regarded as a core part of CMG's business, offering this type of service is important to CMG operationally. CMG performs a limited amount of specialized consulting services, which are typically of a highly complex and/or experimental nature. These studies provide hands-on practical knowledge, allowing CMG staff to test the boundaries of our software, and provide us the opportunity to increase software license sales to both new and existing clients. In addition, providing consulting services is important from the customer service perspective as it enables our customers to become more proficient users of CMG's software. The funded research revenue is derived from the clients who partner with CMG to assist in the development, testing and refinement of new simulation technologies.

In addition to consulting, we allocate significant resources to training, which is an instrumental part of our company's success. Our training programs enable our customers to become more efficient and effective users of our software, which, in turn, contributes to higher customer satisfaction. Our training is continuous in nature and it helps us in developing and maintaining long-term relationships with our clients.

CMG remains true to its strategy of growing its revenue base while advancing its technological superiority over its competition. CMG firmly believes that, to become the dominant supplier of dynamic reservoir modelling systems in the world, it must be responsive to clients' needs today and accurately predict their needs in the future.

As part of our effort of growing our presence globally, and providing continued support to our customers, we have opened a branch office in Bogota, Colombia effective April 2, 2013, to better serve our South American region.

CMG invests a significant amount of resources each year towards maintaining its technological superiority. During fiscal 2013, CMG increased its overall spending on research and development by 18% (representing 18% of total revenue) and expects to further increase its spending in fiscal 2014. The increasing level of investment by CMG in its current product suite offering helps to ensure that its existing proven technology continues to be industry-leading. These significant levels of investment, in combination with partnering with Shell and Petrobras in the DRMS project to jointly develop the newest generation of reservoir simulation software, are targeted strategies to achieve our vision to become the leading developer and supplier of dynamic reservoir modelling systems in the world.

OVERALL PERFORMANCE

Key Performance Drivers and Capability to Deliver Results

One of the challenges the petroleum industry faces in trying to overcome barriers to production growth is the continuing need for breakthrough technologies. The facts facing the petroleum industry today are that brand new fields are increasingly difficult to find, especially on a large scale, and that there are a large number of mature fields and unconventional prospects where known petroleum reserves exist; the question is how to economically extract the petroleum reserves in place and do so utilizing environmentally conscious processes. These challenges have been made even more formidable given that the current economic environment and global political climate have led to increased uncertainty regarding capital markets and commodity prices.

The petroleum industry utilizes reservoir simulation to provide both vital information and a visual interpretation on how reservoirs will behave under various recovery techniques. Understanding the science of how a petroleum reservoir will react to difficult hydrocarbon recovery processes through simulation prior to spending the capital on drilling wells and injecting expensive chemicals and steam, for instance, is far less costly and risky than trying the various techniques on real wells.

CMG's existing product suite of software is the market leader in the simulation of difficult hydrocarbon recovery techniques. To maintain this dominant market position, CMG actively participates in research consortia that experiment with new petroleum extraction processes and technologies. CMG then incorporates the simulation of new recovery methods into its product suite and focuses on overcoming existing technological barriers to advance speed and ease of use, amongst other benefits, in its software.

Late in fiscal 2009, CMG launched CMOST, our newest product that has enhanced our existing suite of software offerings. CMOST has been well received with the majority of our significant customers now licensing the product. CMOST allows our customers to perform stochastic simulation and risk evaluation of uncertain reservoir parameters coupled with capital investments. It focuses on assessing the implications of variability of reservoir properties such as porosity and permeability, and major business decision parameters such as optimum well locations. In summary, CMOST allows our customers to more effectively understand their reservoir assets and, in turn, optimize their production and capital expenditures to yield the highest net present value. While this has always been key to any investment decision made by our customers, given the current economic climate, it has taken on a heightened importance.

We expect CMG's share of the market for all petroleum recovery simulation to increase as the amount of easy-to-extract oil declines and as production from unconventional sources increases. The speed and the magnitude of growth in licenses sold for use of CMG's advanced recovery process simulators is enhanced by the shift in production from conventional means to more complex recovery methods.

The development of our DRMS system, the newest generation reservoir and production system simulation software, is a significant project for CMG and its partners; a project that to-date has represented over 220 man-years of development. The DRMS team consists of 57 persons made up of 36 CMG employees and consultants and 6 partner-seconded staff members, all working in CMG's Calgary offices, with an additional 15 partner staff members working remotely from their respective offices in the Netherlands and Brazil. CMG, through its participation in this joint project, will have full commercialization rights to the developed technology. CMG and its partners are committed to the ongoing funding of the project, with the Company's share of project costs estimated to be $5.5 million ($2.6 million net of overhead recoveries) for the upcoming fiscal year. As project operator, CMG receives a fee for operator services, which is reflected in revenue as professional services.

CMG is in a very strong financial position with $48.5 million in working capital, no bank debt and a long history of generating earnings and cash from operating activities. In addition to its financial resources, CMG's real strength lies in the outstanding quality and dedication of its employees in all areas of the Company. While it has never been easy to find qualified staff as CMG has grown through the years, our expanding reputation as a challenging and rewarding place to work has somewhat eased this burden. CMG added 21 new staff members to its employee complement in fiscal 2013 and is planning for a potential increase in its staff complement by a similar number by the end of fiscal 2014.

Our focus will remain on increasing software license sales to both existing and new clients and, with diversification of our geographic profile, we plan to strengthen our position in the global marketplace. Over 80% of our software license revenue is derived from our annuity and maintenance contracts, which generally represent a recurring source of revenue. We have continued to see successive increases in this revenue base over the past several years, and with a strong renewal rate, we expect this trend to continue in the future. Sustained revenue growth, combined with solid control over corporate costs, will continue to be the key variables in ensuring CMG's future profitability. During fiscal year ended March 31, 2013, our EBITDA represented 52% of total revenue which demonstrates our ability to effectively manage our corporate costs.

We continue to return value to our shareholders in the form of regular quarterly dividend payments. During the year ended March 31, 2013, as compared to the prior fiscal year, we increased total dividends declared and paid by 33%.

We are confident that our sustainable business model driven by superior technology, commitment to research and development initiatives, and customer-oriented approach will continue contributing to CMG's future success.

ANNUAL PERFORMANCE

($ thousands, unless otherwise stated)	**March 31, 2013**	March 31, 2012	March 31, 2011
Annuity/maintenance licenses	**54,555**	42,858	32,709
Perpetual licenses	**8,406**	12,724	11,045
Software licenses	**62,961**	55,582	43,754
Professional services	**5,659**	5,452	8,073
Total revenue	**68,620**	61,034	51,827
Operating profit	**34,290**	31,604	25,677
Operating profit (%)	**50%**	52%	50%
EBITDA[1]	**35,829**	32,831	26,714
Net income for the year	**24,822**	23,391	17,166
Cash dividends declared and paid	**27,905**	20,499	16,971
Total assets	**83,421**	74,892	58,689
Total shares outstanding	**38,129**	37,307	36,427
Trading price per share at March 31	**21.09**	15.90	12.98
Market capitalization at March 31	**804,130**	593,170	472,820
Per share amounts - ($/share)			
Earnings per share - basic	**0.66**	0.63	0.48
Earnings per share - diluted	**0.64**	0.62	0.47
Cash dividends declared and paid	**0.74**	0.555	0.47

(1) 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".

QUARTERLY PERFORMANCE

	Fiscal 2012[1]				Fiscal 2013[2]			
($ thousands, unless otherwise stated)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	**Q4**
Annuity/maintenance licenses	8,997	9,308	12,056	12,497	13,179	12,012	14,004	**15,359**
Perpetual licenses	5,391	1,596	2,321	3,416	2,070	2,671	1,365	**2,300**
Software licenses	14,388	10,904	14,377	15,913	15,249	14,683	15,369	**17,659**
Professional services	1,551	1,078	1,521	1,302	1,216	1,390	1,433	**1,620**
Total revenue	15,939	11,982	15,898	17,215	16,465	16,073	16,802	**19,279**
Operating profit	9,092	5,226	8,093	9,193	8,105	8,032	8,276	**9,877**
Operating profit (%)	57	44	51	53	49	50	49	**51**
EBITDA	9,366	5,508	8,414	9,543	8,423	8,425	8,687	**10,294**
Profit before income and other taxes	9,240	6,096	8,184	9,104	8,577	7,703	8,556	**10,314**
Income and other taxes	2,577	1,778	2,394	2,484	2,487	2,342	2,437	**3,061**
Net income for the period	6,663	4,318	5,790	6,620	6,090	5,361	6,119	**7,253**
Cash dividends declared and paid	7,519	4,053	4,079	4,848	9,736	6,020	6,050	**6,099**
Per share amounts - ($/share)								
Earnings per share - basic	0.18	0.12	0.16	0.18	0.16	0.14	0.16	**0.19**
Earnings per share - diluted	0.18	0.11	0.15	0.17	0.16	0.14	0.16	**0.19**
Cash dividends declared and paid	0.205	0.11	0.11	0.13	0.26	0.16	0.16	**0.16**

(1) 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.

(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.

HIGHLIGHTS

During the year ended March 31, 2013, as compared to the prior fiscal year, CMG:

- Increased annuity/maintenance revenue by 27%
- Increased operating profit by 8%
- Increased spending on research and development by 18%
- Increased EBITDA by 9%
- Increased total dividends declared and paid by 33%
- Realized earnings per share of $0.66, representing a 5% increase

REVENUE

For the three months ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Software licenses	**17,659**	15,913	1,746	11%
Professional services	**1,620**	1,302	318	24%
Total revenue	**19,279**	17,215	2,064	12%
Software license revenue - % of total revenue	**92%**	92%		
Professional services - % of total revenue	**8%**	8%		

For the year ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Software licenses	**62,961**	55,582	7,379	13%
Professional services	**5,659**	5,452	207	4%
Total revenue	**68,620**	61,034	7,586	12%
Software license revenue - % of total revenue	**92%**	91%		
Professional services - % of total revenue	**8%**	9%		

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

Total revenue increased by 12% for the three months ended March 31, 2013, compared to the same period of the previous fiscal year, mainly due to an increase in software license sales driven by the growth in annuity/maintenance license sales. Professional services also contributed to the overall growth in our quarterly total revenue.

Similarly, total revenue increased by 12% in the year ended March 31, 2013, compared to the previous fiscal year, primarily as a result of the increase in software license sales led by the increase in annuity/maintenance revenue, and a slight increase in fees for professional services earned during the current fiscal year.

Software License Revenue

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

For the three months ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Annuity/maintenance licenses	**15,359**	12,497	2,862	23%
Perpetual licenses	**2,300**	3,416	(1,116)	-33%
Total software license revenue	**17,659**	15,913	1,746	11%
Annuity/maintenance as a % of total software license revenue	**87%**	79%		
Perpetual as a % of total software license revenue	**13%**	21%		

For the year ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Annuity/maintenance licenses	**54,555**	42,858	11,697	27%
Perpetual licenses	**8,406**	12,724	(4,318)	-34%
Total software license revenue	**62,961**	55,582	7,379	13%
Annuity/maintenance as a % of total software license revenue	**87%**	77%		
Perpetual as a % of total software license revenue	**13%**	23%		

Total software license revenue grew by 11% in the three months ended March 31, 2013, compared to the same period of the previous fiscal year, due to the increase in annuity/maintenance license revenue offset by a decrease in perpetual sales. Similarly, total software license revenue grew by 13% for the year ended March 31, 2013, compared to the previous fiscal year, as a result of the increase in annuity/maintenance revenue stream offset by the decrease in perpetual license sales.

CMG's annuity/maintenance license revenue increased by 23% and 27% during the three months and year ended March 31, 2013, respectively, compared to the same periods of last year. These increases were driven by sales to new and existing clients as well as an increase in maintenance revenue tied to perpetual sales generated in the current and previous fiscal years.

All of our regions experienced strong growth in annuity/maintenance revenue during both the three months and year ended March 31, 2013, for the reasons described above, but the most significant growth came from our Canadian market.

Our annuity/maintenance revenue is impacted by the revenue recognition on a multi-year contract 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. The amounts received from this particular client and recognized during the three months ended March 31, 2013, are not significantly different from the amounts received and recognized in the same period of the previous fiscal year. If we were to adjust our annuity/maintenance license revenue, by removing revenue from this one customer from the years ended March 31, 2013 and 2012, we would see that the annuity/maintenance sales have grown by 29% instead of 27%.

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

Our annuity/maintenance license sales, representing our recurring revenue stream, have continued to experience consecutive quarterly increases over the past several fiscal years, with a double-digit growth experienced during each of the quarters in the current fiscal year as compared to the respective quarters of the previous fiscal year.

We can observe from the table below that the exchange rates between the US and Canadian dollars during the three months and year ended March 31, 2013, compared to the same periods of the previous fiscal year, had only a slight positive impact on our reported annuity/maintenance revenue.

Perpetual license sales decreased by 33% for the three months ended March 31, 2013, compared to the same period of the previous fiscal year, due to fewer perpetual sales being realized in the United States and Eastern Hemisphere markets in the current quarter.

Perpetual license sales for the year ended March 31, 2013, decreased by 34% compared to the previous fiscal year. In the first quarter of the previous fiscal year, we reported an amount associated with a multi-million dollar perpetual contract in the Eastern Hemisphere which contributed significantly to the revenue growth in the previous fiscal year.

Software licensing under perpetual sales is a significant part of CMG's business, but may fluctuate significantly between periods due to the uncertainty associated with the timing and the location where sales are generated. For this reason, even though we expect to achieve a certain level of aggregate perpetual sales on an annual basis, we expect to observe fluctuations in the quarterly perpetual revenue amounts throughout the fiscal year.

We can observe from the table below that the exchange rates between the US and Canadian dollars during the three months and year ended March 31, 2013, compared to the same periods of the previous fiscal year, had only a slight positive impact on our reported perpetual 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 March 31, ($ thousands)		**2013**	2012	$ change	% change
US dollar annuity/maintenance license sales	US$	**10,777**	8,986	1,791	20%
Weighted average conversion rate		**1.006**	0.994		
Canadian dollar equivalent	CDN$	**10,838**	8,934	1,904	21%
US dollar perpetual license sales	US$	**1,475**	3,281	(1,806)	-55%
Weighted average conversion rate		**1.015**	1.001		
Canadian dollar equivalent	CDN$	**1,497**	3,285	(1,788)	-54%

For the year ended March 31, ($ thousands)		**2013**	2012	$ change	% change
US dollar annuity/maintenance license sales	US$	**35,138**	29,146	5,992	21%
Weighted average conversion rate		**1.003**	0.993		
Canadian dollar equivalent	CDN$	**35,231**	28,954	6,277	22%
US dollar perpetual license sales	US$	**5,634**	12,425	(6,791)	-55%
Weighted average conversion rate		**1.004**	0.977		
Canadian dollar equivalent	CDN$	**5,657**	12,142	(6,485)	-53%

Revenue by Geographic Segment

For the three months ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Annuity/maintenance revenue				
Canada	**5,805**	4,213	1,592	38%
United States	**2,799**	2,337	462	20%
South America	**3,399**	3,307	92	3%
Eastern Hemisphere[1]	**3,356**	2,640	716	27%
	15,359	12,497	2,862	23%
Perpetual revenue				
Canada	**803**	204	599	294%
United States	**331**	753	(422)	-56%
South America	**232**	177	55	31%
Eastern Hemisphere	**934**	2,282	(1,348)	-59%
	2,300	3,416	(1,116)	-33%
Total software license revenue				
Canada	**6,608**	4,417	2,191	50%
United States	**3,130**	3,090	40	1%
South America	**3,631**	3,484	147	4%
Eastern Hemisphere	**4,290**	4,922	(632)	-13%
	17,659	15,913	1,746	11%

For the year ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Annuity/maintenance revenue				
Canada	**21,708**	15,946	5,762	36%
United States	**10,558**	8,528	2,030	24%
South America	**10,169**	8,536	1,633	19%
Eastern Hemisphere[1]	**12,120**	9,848	2,272	23%
	54,555	42,858	11,697	27%
Perpetual revenue				
Canada	**2,344**	655	1,689	258%
United States	**993**	1,746	(753)	-43%
South America	**741**	1,468	(727)	-50%
Eastern Hemisphere	**4,328**	8,855	(4,527)	-51%
	8,406	12,724	(4,318)	-34%
Total software license revenue				
Canada	**24,052**	16,601	7,451	45%
United States	**11,551**	10,274	1,277	12%
South America	**10,910**	10,004	906	9%
Eastern Hemisphere	**16,448**	18,703	(2,255)	-12%
	62,961	55,582	7,379	13%

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

On a geographic basis, total software license sales increased across all regions with the exception of the Eastern Hemisphere market which experienced overall decreases of 13% and 12% during the three months and year ended March 31, 2013, respectively, compared to the same periods of the previous fiscal year, due to lower perpetual sales. The most significant growth came from our annuity/maintenance license sales, with increases experienced across all regions for the three months and year ended March 31, 2013, compared to the same periods of the previous fiscal year.

The Canadian market (representing 38% of year-to-date total software revenue) experienced strong increases in annuity/maintenance license sales during the three months and year ended March 31, 2013, compared to the same periods of the previous fiscal year. These increases were supported by the sales to both new and existing clients. Perpetual sales also experienced increases during both the current quarter and year-to-date. The Canadian market continues to be the leader in generating total software license revenue and, particularly, in generating the recurring annuity/maintenance revenue as evidenced by the quarterly year-over-year increases of 17%, 32%, 37% and 37% recorded during Q4 2012, Q1 2013, Q2 2013, and Q3 2013, respectively. This growth trend has continued into the fourth quarter of the current fiscal year with the recorded increase of 38%.

The US market (representing 18% of year-to-date total software revenue) also grew annuity/maintenance license sales during the three months and year ended March 31, 2013, compared to the same periods of the previous fiscal year, driven by sales to new and existing clients. Fewer perpetual license sales were made during the three months and year ended March 31, 2013, compared to the same periods of the previous fiscal year. Similar to the Canadian market, we have continued to see successive increases in the annuity/maintenance license sales in the US as evidenced by the quarterly year-over-year increases of 26%, 20%, 24% and 32% recorded during Q4 2012, Q1 2013, Q2 2013, and Q3 2013, respectively. This growth trend has continued into the fourth quarter of the current fiscal year with the recorded increase of 20%.

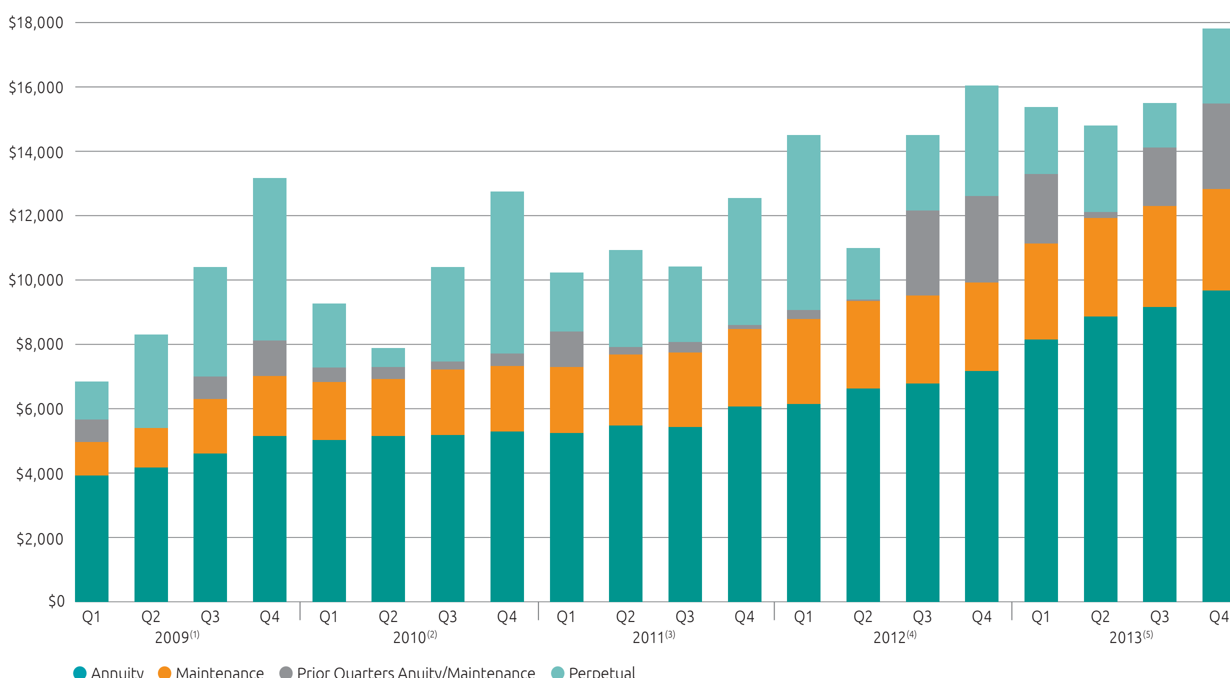
South America (representing 17% of year-to-date total software revenue) experienced only a slight increase of 3% in annuity/maintenance revenue during the three months ended March 31, 2013, compared to the same period of the previous fiscal year, and a more significant increase of 19% during the year ended March 31, 2013, compared to the previous fiscal year. The revenue recognition in our South American region is affected by the revenue recorded on the long-term contract for which revenue is recognized on a cash basis (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). Payments received from this particular client and recognized in the current quarter are similar to payments received and recognized in the fourth quarter of the previous fiscal year, not having a significant effect on the comparability of the quarterly revenue amounts. However, if we were to adjust annuity/maintenance revenue recorded for the years ended March 31, 2013 and 2012 for the described amounts, we would notice that the year-to-date revenue actually increased by 25% instead of 19%. The increase in annuity/maintenance revenue for the three months and year ended March 31, 2013, compared to the same periods of the previous fiscal year, were mainly due to sales to both new and existing clients. The increase in annuity/maintenance license sales was offset by a decrease in perpetual license sales during the year ended March 31, 2013.

Eastern Hemisphere (representing 26% of the year-to-date total software revenue) grew annuity/maintenance license sales during both the three months and year ended March 31, 2013, compared to the same periods of the previous fiscal year. Perpetual license sales decreased in both the three months and year ended March 31, 2013, compared to the same periods of the previous fiscal year. Year-to-date perpetual sales decreased as a result of the large perpetual sale made during the first quarter of the previous fiscal year which contributed significantly to revenue growth in the previous fiscal 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 be strong and growing across all regions. We will continue to focus our efforts on increasing our license sales to both existing and new clients and, supported by our product suite offering and our customer-oriented approach, we will endeavor to continue expanding our market share globally.

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

Quarterly Software License Revenue ($thousands)



(1) Q1, Q3 and Q4 of fiscal 2009 include $0.7 million, $0.7 million and $1.1 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

(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.

Deferred Revenue

($ thousands)	**2013**	**2012**	2011	$ change	% change
Deferred revenue at:					
June 30		**18,779**	15,326	3,453	23%
September 30		**18,241**	14,600	3,641	25%
December 31		**15,510**	14,746	764	5%
March 31	**25,289**	**21,693**		3,596	17%

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 June 30, September 30, December 31, 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 increase in deferred revenue balance at fiscal year-end compared to the ending balances at June 30, September 30 and December 31. Our fourth quarter corresponds to 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 at March 31, 2013 increased by 17% compared to the prior fiscal year due to both renewal of the existing and signing of the new software licenses and maintenance contracts in the quarter. The increase in the current quarter did not match the growth in annuity/maintenance revenue due to the variation in renewal terms on two contracts and the non-renewal of two licensing agreements that amounted to approximately $700,000 of annual annuity/maintenance license revenue.

Professional Services Revenue

CMG recorded professional services revenue of $1.6 million for the three months ended March 31, 2013, representing an increase of $0.3 million compared to the same period of the previous fiscal year, due to an increase in project activities by our clients and the associated consulting activities in the current quarter. Professional services for the year ended March 31, 2013 amounted to $5.7 million compared to $5.5 million recorded in the previous fiscal year, representing a $0.2 million increase. The year-to-date revenue related to consulting activities actually increased by $0.5 million; however, this increase was offset by the inclusion of a $0.3 million grant in the professional services revenue in the first quarter of the previous fiscal year, which was received from the CMG Reservoir Simulation Foundation ("Foundation CMG") for the DRMS project. The grant was fulfilled during that same quarter; hence, no additional amounts related to the grant have been subsequently recorded as professional services.

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

EXPENSES

For the three months ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Sales, marketing and professional services	**4,140**	3,333	807	24%
Research and development	**3,456**	2,994	462	15%
General and administrative	**1,806**	1,695	111	7%
Total operating expenses	**9,402**	8,022	1,380	17%
Direct employee costs*	**7,507**	6,349	1,158	18%
Other corporate costs	**1,895**	1,673	222	13%
	9,402	8,022	1,380	17%

For the year ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Sales, marketing and professional services	**15,473**	13,036	2,437	19%
Research and development	**12,517**	10,629	1,888	18%
General and administrative	**6,340**	5,765	575	10%
Total operating expenses	**34,330**	29,430	4,900	17%
Direct employee costs*	**27,309**	23,376	3,933	17%
Other corporate costs	**7,021**	6,054	967	16%
	34,330	29,430	4,900	17%

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

CMG's total operating expenses increased by 17% for both the three months and year ended March 31, 2013, compared to the same periods of the previous fiscal year, due to increases in both direct employee and other corporate costs.

Direct Employee Costs

As a technology company, CMG's largest area of expenditure is for its people. Approximately 80% of the total operating expenses in the year ended March 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 March 31, 2013, CMG's staff complement was 173 employees and consultants, up from 149 employees as at March 31, 2012. Direct employee costs increased during the three months and year ended March 31, 2013, compared to the same periods of the previous fiscal year due to staff additions, increased levels of compensation, commissions and related benefits.

Other Corporate Costs

Other corporate costs increased by 13% for the three months ended March 31, 2013 compared to the same period of the previous fiscal year, mainly due to computer-related purchases and the increase in direct costs associated with professional services.

Other corporate costs increased by 16% for the year ended March 31, 2013, compared to the previous fiscal year, mainly due to inclusion of the costs associated with CMG's biennial technical symposium which took place during the first quarter of the current fiscal year. The remaining increase is attributable to the costs associated with the expansion of our office space, which are comprised of additional office rent, increased computing resources and increased depreciation associated with capital spending on the new space.

Research and Development

For the three months ended March 31, *($ thousands)*	**2013**	2012	$ change	% change
Research and development (gross)	**3,906**	3,444	462	13%
SR&ED credits	**(450)**	(450)	-	0%
Research and development	**3,456**	2,994	462	15%
Research and development as a % of total revenue	**18%**	17%		

For the year ended March 31, *($ thousands)*	**2013**	2012	$ change	% change
Research and development (gross)	**14,364**	12,100	2,264	19%
SR&ED credits	**(1,847)**	(1,471)	(376)	26%
Research and development	**12,517**	10,629	1,888	18%
Research and development as a % of total revenue	**18%**	17%		

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

The above research and development includes CMG's share of joint research and development costs associated with the DRMS project of $0.9 million and $3.1 million for the three months and year ended March 31, 2013, respectively, (2012 - $0.7 million and $2.7 million). See discussion under "Commitments, Off Balance Sheet Items and Transactions with Related Parties."

The increases of 13% and 19% in our gross spending on research and development for the three months and year ended March 31, 2013, respectively, demonstrate our continued commitment to advancement of our technology which is the focal part of our business strategy.

Research and development costs, net of research and experimental development ("SR&ED") credits, increased by 15% during the three months ended March 31, 2013, compared to the same period of the previous fiscal year, due to increased employee compensation costs, and costs associated with computing resources.

Research and development costs, net of SR&ED credits, increased by 18% during the year ended March 31, 2013, compared to the same period of the previous fiscal year, due to increased employee compensation costs, investment in computing resources and facilities costs associated with the newly leased office space. We also had an increase in SR&ED credits for the year ended March 31, 2013, compared to the same period of the previous fiscal

year, driven mainly by the increases in our direct employee costs as well as the increase in the eligibility of our expenses for SR&ED credits.

Depreciation

For the three months ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**126**	105	21	20%
Research and development	**239**	200	39	20%
General and administrative	**52**	45	7	16%
Total depreciation	**417**	350	67	19%

For the year ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**467**	410	57	14%
Research and development	**880**	583	297	51%
General and administrative	**192**	234	(42)	-18%
Total depreciation	**1,539**	1,227	312	25%

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

FINANCE INCOME AND COSTS

For the three months ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Interest income	**139**	131	8	6%
Net foreign exchange gain	**298**	-	298	-
Total finance income	**437**	131	306	234%
Total finance costs (represented by net foreign exchange loss)	**-**	(220)	220	-100%

For the year ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Interest income	**548**	472	76	16%
Net foreign exchange gain	**311**	548	(237)	-43%
Total finance income	**859**	1,020	(161)	-16%
Total finance costs (represented by net foreign exchange loss)	**-**	-	-	-

Interest income increased in the three months and year ended March 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 67% (2012 – 73%) of CMG's revenue for the year ended March 31, 2013 is denominated in US dollars, whereas only approximately 23% (2012 – 24%) of CMG's total costs are denominated in US dollars.

CDN$ to US$	At March 31	Yearly average
2011	1.0290	0.9813
2012	1.0009	1.0106
2013	**0.9846**	**0.9963**

CMG recorded a net foreign exchange gain of $0.3 million for both the three months and year ended March 31, 2013, compared to a $0.2 million net foreign exchange loss and a $0.5 million net foreign exchange gain recorded in the three months and year ended March 31, 2012, respectively.

The weakening of the Canadian dollar during the fourth quarter of the current fiscal year, contributed positively to the valuation of our US-denominated working capital for the three months ended March 31, 2013 compared to the same period of the previous fiscal year. On the other hand, the fluctuation in the exchange rates between the Canadian and the US dollars during the current fiscal year, has contributed negatively to the valuation of our US-denominated working capital for the year ended March 31, 2013, compared to the same period of the previous fiscal year.

INCOME AND OTHER TAXES

CMG's effective tax rate for the year ended March 31, 2013 is reflected as 29.38% (2012 – 28.30%), whereas the prevailing Canadian statutory tax rate is now 25.0%. This is primarily due to a combination of the non-tax deductibility of stock-based compensation expense and the benefit of foreign withholding taxes being realized only as a tax deduction as opposed to a tax credit.

The benefit recorded in CMG's books on the SR&ED investment tax credit program impacts deferred income taxes. The investment tax credit earned in the current fiscal year is utilized by CMG to reduce income taxes otherwise payable for the current fiscal year and the federal portion of this benefit bears an inherent tax liability as the amount of the credit is included in the subsequent year's taxable income for both federal and provincial purposes. The inherent tax liability on these investment tax credits is reflected in the year the credit is earned as a non-current deferred tax liability and then, in the following fiscal year, is transferred to income taxes payable.

OPERATING PROFIT AND NET INCOME

For the three months ended March 31, *($ thousands, except per share amounts)*	**2013**	2012	$ change	% change
Total revenue	**19,279**	17,215	2,064	12%
Operating expenses	**(9,402)**	(8,022)	(1,380)	17%
Operating profit	**9,877**	9,193	684	7%
Operating profit as a % of total revenue	**51%**	53%		
Net income for the period	**7,253**	6,620	633	10%
Net income for the period as a % of total revenue	**38%**	38%		
Earnings per share ($/share)	**0.19**	0.18	0.01	6%

For the year ended March 31, *($ thousands, except per share amounts)*	**2013**	2012	$ change	% change
Total revenue	**68,620**	61,034	7,586	12%
Operating expenses	**(34,330)**	(29,430)	(4,900)	17%
Operating profit	**34,290**	31,604	2,686	8%
Operating profit as a % of total revenue	**50%**	52%		
Net income for the period	**24,822**	23,391	1,431	6%
Net income for the period as a % of total revenue	**36%**	38%		
Earnings per share ($/share)	**0.66**	0.63	0.03	5%

Operating profit as a percentage of total revenue for the three months and year ended March 31, 2013 was at 51% and 50%, respectively, compared to 53% and 52% recorded in the same periods of the previous fiscal year. While our total revenue grew by 12%, our operating expenses grew by 17%, having a slight negative impact on our operating profit. Our high levels of operating profit as a percentage of revenue demonstrate our ability to continue to effectively manage our costs.

Net income for the period as a percentage of revenue remained consistent at 38% for the three months ended March 31, 2013, compared to the same period of the previous fiscal year.

Net income for the period as a percentage of revenue decreased to 36% for the year ended March 31, 2013, compared to 38% for the previous fiscal year, mainly as a result of recording a lower net foreign exchange gain and slightly higher tax expense in the current 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 March 31, ($ thousands)	**2013**	2012	$ change	% change
Net income for the period	**7,253**	6,620	633	10%
Add (deduct):				
Depreciation	**417**	350	67	19%
Finance income	**(437)**	(131)	(306)	234%
Finance costs	**-**	220	(220)	-100%
Income and other taxes	**3,061**	2,484	577	23%
EBITDA	**10,294**	9,543	751	8%
EBITDA as a % of total revenue	**53%**	55%		

For the year ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Net income for the period	**24,822**	23,391	1,431	6%
Add (deduct):				
Depreciation	**1,539**	1,227	312	25%
Finance income	**(859)**	(1,020)	161	-16%
Finance costs	**-**	-	-	-
Income and other taxes	**10,327**	9,233	1,094	12%
EBITDA	**35,829**	32,831	2,998	9%
EBITDA as a % of total revenue	**52%**	54%		

EBITDA increased by 8% and 9% for the three months and year ended March 31, 2013, respectively, compared to the same periods of the previous fiscal year. These increases provide further indication of our ability to keep growing our recurring annuity/maintenance license sales while effectively managing costs in relation to this base.

EBITDA as a percent of total revenue for the three months and year ended March 31, 2013 was at 53% and 52%, respectively, compared to 55% and 54% recorded in the same periods of the previous fiscal year, respectively.

LIQUIDITY AND CAPITAL RESOURCES

For the three months ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Cash, beginning of period	**52,236**	47,615	4,621	10%
Cash flow from (used in):				
Operating activities	**11,155**	11,512	(357)	-3%
Financing activities	**(3,718)**	(3,318)	(400)	12%
Investing activities	**(254)**	(435)	181	-42%
Cash, end of period	**59,419**	55,374	4,045	7%

For the year ended March 31, ($ thousands)	**2013**	2012	$ change	% change
Cash, beginning of period	**55,374**	41,753	13,621	33%
Cash flow from (used in):				
Operating activities	**28,073**	30,185	(2,112)	-7%
Financing activities	**(22,014)**	(15,063)	(6,951)	46%
Investing activities	**(2,014)**	(1,501)	(513)	34%
Cash, end of period	**59,419**	55,374	4,045	7%

Operating Activities

Cash flow generated from operating activities decreased by $0.4 million in the three months ended March 31, 2013, compared to the same period of last year, mainly due to the increase in trade receivables caused by the timing differences of when the sales are made and when the resulting receivables are collected, offset by the change in deferred revenue balance, higher net income, higher income tax expense, and the change in trade payables and accrued liabilities balance.

Cash flow generated from operating activities decreased by $2.1 million in the year ended March 31, 2013, compared to the same period of last year, mainly due to the increase in trade receivables caused by the timing differences of when the sales are made and when the resulting receivables are collected, change in the deferred revenue balance, and higher tax payments, offset by the increase in net income for the year.

Financing Activities

Cash used in financing activities during the three months and year ended March 31, 2013 increased by $0.4 million and $7.0 million, respectively, compared to the same periods of last year, as a result of paying larger dividends. The year-to-date increase was also affected by the amount spent on buying back common shares.

During the year ended March 31, 2013, CMG employees and directors exercised options to purchase 913,000 Common Shares, which resulted in cash proceeds of $7.4 million.

In the year ended March 31, 2013, CMG paid $27.9 million in dividends, representing the following quarterly dividends:

($ per share)	Q1	Q2	Q3	Q4	**2013 Total**
Dividends declared and paid	0.160	0.160	0.160	0.160	**0.640**
Special dividend declared and paid	0.100	-	-	-	**0.100**
Total dividends declared and paid	0.260	0.160	0.160	0.160	**0.740**

In the year ended March 31, 2012, CMG paid $20.5 million in dividends, representing the following quarterly dividends:

($ per share)	Q1	Q2	Q3	Q4	2012 Total
Dividends declared and paid	0.105	0.110	0.110	0.130	0.455
Special dividend declared and paid	0.100	-	-	-	0.100
Total dividends declared and paid	0.205	0.110	0.110	0.130	0.555

On May 22, 2013, CMG announced the payment of a quarterly dividend of $0.18 per share and a special dividend of $0.05 per share on CMG's Common Shares. The dividend will be paid on June 14, 2013 to shareholders of record at the close of business on June 7, 2013.

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 the previous year's 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 $0.64 per share in fiscal 2013 compared to $0.455 per share in fiscal 2012. Our total dividend paid also increased from $0.555 per share in fiscal 2012 to $0.74 per share paid in fiscal 2013, representing a 33% increase.

The special dividend, if any, will continue to be determined annually based on the Company's performance.

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.

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 year ended March 31, 2013, CMG expended $2.0 million on property and equipment additions, primarily composed of computing equipment and leasehold improvements, and has a capital budget of $1.8 million for fiscal 2014.

Liquidity and Capital Resources

At March 31, 2013, CMG has $59.4 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 year ended March 31, 2013, 9,742,000 shares of CMG's public float were traded on the TSX. As at March 31, 2013, CMG's market capitalization based upon its March 31, 2013 closing price of $21.09 was $804.1 million.

COMMITMENTS, OFF BALANCE SHEET ITEMS AND TRANSACTIONS WITH RELATED PARTIES

The Company is the operator of the DRMS research and development project (the "DRMS Project"), a collaborative effort with its partners Shell and 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 – $2.1 million; 2015 to 2016 – $2.0 million per year; and 2017 – $1.0 million.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. By their nature, these estimates are subject to estimation uncertainty. The effect on the financial statements of changes in such estimates in future periods could be material and would be accounted for in the period in which the estimates are revised and in any future periods affected.

Revenue recognition

Revenue consists primarily of software license fees with some fees for professional services. We recognize revenue in accordance with the current rules of IFRS. We follow specific and detailed guidelines in measuring revenue; however, certain judgments affect the application of our revenue recognition policies.

Software license revenue is comprised of annuity/maintenance license fees charged for the use of our software products which is generally for a term of one year or less, and perpetual software licensing, whereby the customer purchases the-then-current version of the software and has the right to use that version in perpetuity. We recognize software license revenue when persuasive evidence of an arrangement exists, the product has been delivered, the fee is fixed or determinable, and collection of the resulting receivable is probable. In cases where collectability is not deemed probable, revenue is recognized upon receipt of cash, assuming all other criteria have been met.

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. License fees for perpetual licenses are recognized fully in revenue when all recognition conditions are satisfied.

Certain software license agreements contain multiple-element arrangements as they may also include maintenance fees. Judgment is used in determining a fair value of each element of a contract.

Professional services revenue earned from certain consulting contracts is recognized by the stage of completion of the transaction determined using the percentage-of-completion method. Judgment is used in determining progress of each contract at period end. In assessing revenue recognition, judgment is also used in determining the ability to collect the corresponding account receivable.

Functional currency

The determination of the functional currency is a matter of determining the primary economic environment in which an entity operates. IAS 21, ***The Effects of Changes in Foreign Exchange Rates,*** sets out a number of factors to apply in making the determination of the functional currency. However, applying the factors in IAS 21 does not always result in a clear indication of functional currency. Where IAS 21 factors indicate differing functional currencies within a subsidiary, the Company uses judgment in the ultimate determination of that subsidiary's functional currency, including an assessment of the nature of the relationship between the Company and the subsidiary. Judgment was applied in the determination of the functional currency of certain of the Company's operating entities.

Research and development

Assumptions are made in respect to the eligibility of certain research and development projects in the calculation of SR&ED investment tax credits which are netted against the research and development costs in the statement of operations. SR&ED claims are subject to audits by relevant taxation authorities and the actual amount may change depending on the outcome of such audits.

Stock-based compensation

Assumptions and estimates are used in determining the inputs used in the Black-Scholes option pricing model, including assumptions regarding volatility, dividend yield, risk-free interest rates, forfeiture estimates and expected option lives.

Property and equipment

Estimates are used in determining useful economic lives of property and equipment for the purposes of calculating depreciation.

Deferred income taxes

Assumptions and estimates are made regarding the amount and timing of realization and/or settlement of the temporary differences between the accounting carrying value of the Company's assets versus the tax basis of those assets, and the tax rates at which the differences will be recovered or settled in the future.

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

Standard/Interpretation	Nature of impending change in accounting policy	Impact on CMG's financial statements
IFRS 9 *Financial Instruments* In November 2009 the IASB issued IFRS 9 Financial Instruments (IFRS 9 (2009)), and in October 2010 the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In December 2011, the IASB issued an amendment to IFRS 9 to defer the mandatory effective date to annual periods beginning on or after January 1, 2015.	IFRS 9 (2009) replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition: • financial assets measured at amortized cost; or • financial assets measured at fair value. Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date. IFRS 9 (2010) added guidance to IFRS 9 (2009) on the classification and measurement of financial liabilities, and this guidance is consistent with the guidance in IAS 39 expect as described below. Under IFRS 9 (2010), for financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in OCI, with the remainder of the change recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. Amounts presented in OCI will not be reclassified to profit or loss at a later date. IFRS 9 (2010) also requires derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument to be measured at fair value, whereas such derivative liabilities are measured at cost under IAS 39. IFRS 9 (2010) also added the requirements of IAS 39 for the derecognition of financial assets and liabilities to IFRS 9 without change. The IASB has deferred the mandatory effective date of the existing chapters of IFRS 9 Financial Instruments (2009) and IFRS 9 (2010) to annual periods beginning on or after January 1, 2015. The early adoption of either standard continues to be permitted.	IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied. The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on April 1, 2015. The Company does not expect IFRS 9 (2010) to have a material impact on the financial statements. The classification and measurement of the Company's financial assets and liabilities is not expected to change under IFRS 9 (2010) because of the nature of the Company's operations and the types of financial assets that it holds.

Standard/Interpretation	Nature of impending change in accounting policy	Impact on CMG's financial statements
IFRS 10 *Consolidated Financial Statements* In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it shall also apply IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time.	IFRS 10 replaces the guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IAS 27 (2008) survives as IAS 27 (2011) *Separate Financial Statements*, only to carry forward the existing accounting requirements for separate financial statements. IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008).	The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on April 1, 2013. The Company does not expect IFRS 10 to have a material impact on the financial statements.
IFRS 11 *Joint Arrangements* In May 2011, the IASB issued IFRS 11 *Joint Arrangements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it shall also apply IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time.	IFRS 11 replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method. Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 (2011) and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented.	The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on April 1, 2013. The Company does not expect IFRS 11 to have a material impact on the financial statements.
IFRS 12 *Disclosure of Interests in Other Entities* In May 2011, the IASB issued IFRS 12 *Disclosure of Interests in Other Entities*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it needs not to apply IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) at the same time.	IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.	The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on April 1, 2013. The Company does not expect the amendments to have a material impact on the financial statements, because of the nature of the Company's interests in other entities.

Standard/Interpretation	Nature of impending change in accounting policy	Impact on CMG's financial statements
IFRS 13 *Fair Value Measurement* In May 2011, the IASB published IFRS 13 *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application.	IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.	The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on April 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.
Amendments to IAS 1 *Presentation of Financial Statements* In June 2011, the IASB published amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*, which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. Early adoption is permitted.	The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories. The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged.	The Company intends to adopt the amendments in its financial statements for the annual period beginning on April 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Company does not expect the amendments to IAS 1 to have a material impact on the financial statements.
Amendments to IAS 32 and IFRS 7, *Offsetting Financial Assets and Liabilities* In December 2011, the IASB published *Offsetting Financial Assets and Financial Liabilities* and issued new disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively.	The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is: • not contingent on a future event; and • enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are: • offset in the statement of financial position; or • subject to master netting arrangements or similar arrangements.	The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on April 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning April 1, 2014. The Company does not expect the amendments to have a material impact on the financial statements.

OUTSTANDING SHARE DATA

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

As at May 22, 2013 *(thousands)*	
Common Shares	38,156
Options	2,910

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 May 22, 2013, CMG could grant up to 3,815,000 stock options.

BUSINESS RISKS

The Company has the following business risks:

Commodity Price Risk

CMG's customers are oil and gas companies and it might, therefore, be assumed that its financial results are significantly impacted by commodity prices. CMG's actual experience of growth in software license revenues during depressed oil price markets makes us believe that software license sales are influenced more by the utility of the software as opposed to the prevailing commodity price but different circumstances could prevail in the future. Low commodity prices and resulting lower cash flow in the industry could impact how customers license CMG software; one could expect sales of perpetual licenses to decrease in favour of leasing software on a term basis.

Volatility in commodity prices could have an impact on CMG's consulting business; however, this business segment generates less than 10% of total revenues and CMG has no current plans to significantly expand this area of business.

Credit and Liquidity Risks

Our product demand is dependent on the customers' overall spending plans, which are driven by commodity prices and the availability of capital. This risk is mitigated by having a diversified customer base with the majority of revenue being derived from larger entities which are not as affected by the market volatility or cyclical downturns in commodity prices. In addition, our diversified geographic profile helps to mitigate the effects of economic recessions and instability experienced in any particular geographic region.

The Company mitigates the collection risk by closely monitoring its accounts receivable and assessing creditworthiness of its customers. The Company has not had any significant losses to date.

In terms of liquidity, the Company held $59.4 million of cash at March 31, 2013, which more than covers its obligations and it has over $0.8 million of the credit facility available for its use. The Company's cash is held with a reputable banking institution. For the described reasons, we believe that our liquidity risk is low.

Sales Variability Risk

CMG's software license revenue consists of annuity/maintenance software licensing, which is generally for a term of one year or less, and perpetual software licensing, whereby the customer purchases the-then-current version of the software and has the right to use that version in perpetuity. Software licensing under perpetual sales is a significant part of CMG's business but is more variable in nature as the purchase decision, and its timing, fluctuate with clients' needs and budgets. CMG has found that a number of clients prefer to acquire perpetual software licenses rather than leasing the software on an annual basis. The experience over the last few years is that a number of these clients are purchasing additional licenses to allow more users to access CMG technology in their operations. CMG has found that a large percentage of its customers who have acquired perpetual software licenses are subsequently purchasing maintenance licenses to ensure they have access to current CMG technology.

The variability in sales of perpetual licenses may cause significant fluctuations in the Company's quarterly and annual financial results, and these results may not meet the expectations of analysts or investors. Accordingly, the Company's past results may not be a good indication of its future performance.

CMG's customers are both domestic and international oil and gas companies and for the years ended March 31, 2013 and March 31, 2012, no customer represented revenue in excess of 10% of total revenue.

Foreign Exchange Risk

CMG's reported results are affected by the exchange rate between the Canadian dollar and the US dollar as approximately 67% (2012 – 73%) of product revenues in fiscal 2013 were denominated in US dollars. Approximately 23% of CMG's total costs in fiscal 2013 (2012 – 24%) were denominated in US dollars and provided a partial economic hedge against the fluctuation in currency exchange between the US and the Canadian dollar on revenues. CMG's residual revenues and costs are primarily denominated in Canadian dollars and its policy is to convert excess US dollar cash into Canadian dollars when received.

Geopolitical Risks

CMG sells its products and services in over 50 countries worldwide, and has operations in a number of different countries. Some of these countries have greater economic, political and social risks than experienced in North America which may adversely affect the Company's sales, costs and operations in those jurisdictions. Some of those risks include:

- Currency restrictions and exchange rate fluctuations
- Civil unrest and political instability
- Changes in laws governing existing operations and contracts
- Changes to taxation policies dramatically increasing tax costs to the Company
- Economic and legal sanctions
- Non-compliance with applicable anti-corruption and bribery laws

Any disruption in our ability to complete a sale cycle, including disruption of travel to customers' locations to provide training and support, and the cost of reorganizing daily activities of foreign operations, could have an adverse effect on our financial condition. CMG mitigates the potential adverse effect on sales by invoicing for the full license term in advance for the majority of software license sales and by invoicing as frequently as the contract allows for consulting and contract research services. CMG closely monitors the business and regulatory environments of the countries in which it conducts operations to minimize the potential impact on costs and operations.

Non-compliance with applicable anti-corruption and bribery laws could subject the Company to onerous penalties and the costs of prosecution. CMG has established business practices and internal controls to minimize the potential occurrence of any irregular payments. In addition, the Company has established well-defined anti-corruption and bribery policies and procedures that each employee and contractor is required to sign indicating their compliance.

Competition Risk

Competition is a risk for CMG as it is for almost every company in every sector. The reservoir simulation software industry currently consists of four major suppliers (including CMG) and a number of small suppliers. Some of the other suppliers, including two major suppliers, offer products or oil field services outside the scope of reservoir simulation. Some potential customers may prefer to deal with such multi-service suppliers, while others prefer an independent supplier, such as CMG.

Although competition is very active, CMG believes that its proven technology and the comprehensive scope of its products, combined with its international presence and recognition as a major independent supplier, provide distinct competitive advantages.

Sustaining competitive advantage is another issue, which CMG addresses by making a significant ongoing commitment to research and development spending. CMG expended $12.5 million (2012 – $10.6 million) in product research and development in its most recently completed fiscal year.

The introduction by competitors of products embodying new technology and the emergence of new industry standards and practices could render CMG's products obsolete and unmarketable and could exert price pressures on existing products, which could have negative effects on the Company's business, operating results and financial condition.

There is a significant barrier for new entrants into the reservoir simulation software industry. The cost of entry is substantial as a significant investment in research and development is required. In addition, to become a major supplier, a significant time investment is required to build up quality relationships with potential clients.

Labour Risk

The Company's continued success is substantially dependent on the performance of its key employees and officers. The loss of the services of these personnel as well as failure to attract additional key personnel could have a negative impact upon the Company's business, operating results and financial condition. Due to high levels of competition for qualified personnel, there can be no assurance that the Company will be successful in retaining and attracting such personnel. The Company attempts to overcome this by offering an attractive compensation package and providing an environment that provides the intellectual and professional stimulation sought by our employee group.

Intellectual Property Risk

CMG regards its software as proprietary and attempts to protect it with copyrights, trademarks and trade secret measures, including restrictions on disclosure and technical measures. Despite these precautions, it may be possible for third parties to copy CMG's programs or aspects of its trade secrets. CMG has no patents, and existing legal and technical precautions afford only limited practical protection. CMG could incur substantial costs in protecting and enforcing its intellectual property rights. Moreover, from time to time third parties may assert patent, trademark, copyright and other intellectual property rights to technologies that are important to CMG. In such an event, CMG may be required to incur significant costs in litigating a resolution to the asserted claim. There can be no assurance that such a resolution would not require that CMG pay damages or obtain a license of a third party's proprietary rights in order to continue licensing its products as currently offered, or, if such a license is required, that it will be available on terms acceptable to CMG.

CMG does not know of any infringement of any third party's patent rights, copyrights, trade secrecy rights or other intellectual property disputes in the development or support of its products.

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.

At March 31, 2013, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") concluded that the design and operation of the Company's DC&P were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation. Further, the CEO and the CFO concluded that the design and operation of the Company's ICFR were effective at March 31, 2013 in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. It should be noted that while the Company's CEO and CFO believe that the Company's disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, they do not expect that such controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

During the year ended March 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.

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.

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 discussed in greater detail in the "Business Risks" section of this MD&A:

- 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.

This Management's Discussion and Analysis was reviewed and approved by the Audit Committee and Board of Directors and is effective as of May 22, 2013.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

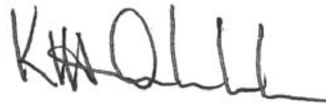
Management is responsible for the accompanying consolidated financial statements and all other information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards consistently applied, using management's best estimates and judgements, where appropriate. Financial information included elsewhere in this report is consistent with the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

KPMG LLP, Chartered Accountants, appointed by the shareholders, have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee reviews the financial content of the Annual Report and meets regularly with management and KPMG LLP to discuss internal controls, accounting and auditing and financial matters. The Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements.

John Kalman, CA
Vice President, Finance and
Chief Financial Officer



Kenneth M. Dedeluk
President and Chief Executive Officer

Calgary, Canada
May 22, 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Computer Modelling Group Ltd.

We have audited the accompanying consolidated financial statements of Computer Modelling Group Ltd., which comprise the consolidated statements of financial position as at March 31, 2013 and March 31, 2012, the consolidated statements of operations and comprehensive income, changes in equity and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Computer Modelling Group Ltd. as at March 31, 2013 and March 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with International Financial Reporting Standards.

Chartered Accountants
Calgary, Canada

May 22, 2013

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of Canadian $)	**March 31, 2013**	March 31, 2012
Assets		
Current assets:		
Cash	**59,419**	55,374
Trade and other receivables (note 14(a))	**19,141**	15,494
Prepaid expenses	**1,216**	1,195
Prepaid income taxes (note 11)	**341**	-
	80,117	72,063
Property and equipment (note 5)	**3,304**	2,829
Total assets	**83,421**	74,892
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities (note 6)	**6,047**	5,358
Income taxes payable (note 11)	**296**	1,404
Deferred revenue	**25,289**	21,693
	31,632	28,455
Deferred tax liability (note 11)	**379**	358
Total liabilities	**32,011**	28,813
Shareholders' equity:		
Share capital	**40,498**	31,751
Contributed surplus	**4,673**	3,535
Retained earnings	**6,239**	10,793
Total shareholders' equity	**51,410**	46,079
Total liabilities and shareholders' equity	**83,421**	74,892

See accompanying notes to consolidated financial statements.

Approved by the Board

Frank L. Meyer
Director

Robert F. M. Smith
Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

Years Ended March 31, *(thousands of Canadian $ except per share amounts)*	**2013**	2012
Revenue (note 7)	**68,620**	61,034
Operating expenses		
Sales, marketing and professional services	**15,473**	13,036
Research and development (note 8)	**12,517**	10,629
General and administrative	**6,340**	5,765
	34,330	29,430
Operating profit	**34,290**	31,604
Finance income (note 10)	**859**	1,020
Profit before income and other taxes	**35,149**	32,624
Income and other taxes (note 11)	**10,327**	9,233
Net and total comprehensive income	**24,822**	23,391
Earnings Per Share		
Basic (note 12(e))	**0.66**	0.63
Diluted (note 12(e))	**0.64**	0.62

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(thousands of Canadian $)	Common Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance, April 1, 2011	24,801	2,655	8,314	35,770
Total comprehensive income for the year	-	-	23,391	23,391
Dividends paid	-	-	(20,499)	(20,499)
Shares issued for cash on exercise of stock options (note 12(b))	5,874	-	-	5,874
Common shares buy-back (notes 12(b) & (c))	(25)	-	(413)	(438)
Stock-based compensation:				
Current period expense	-	1,981	-	1,981
Stock options exercised	1,101	(1,101)	-	-
Balance, March 31, 2012	31,751	3,535	10,793	46,079
Balance, April 1, 2012	**31,751**	**3,535**	**10,793**	**46,079**
Total comprehensive income for the year	**-**	**-**	**24,822**	**24,822**
Dividends paid	**-**	**-**	**(27,905)**	**(27,905)**
Shares issued for cash on exercise of stock options (note 12(b))	**7,442**	**-**	**-**	**7,442**
Common shares buy-back (notes 12(b) & (c))	**(80)**	**-**	**(1,471)**	**(1,551)**
Stock-based compensation:				
Current period expense	**-**	**2,523**	**-**	**2,523**
Stock options exercised	**1,385**	**(1,385)**	**-**	**-**
Balance, March 31, 2013	**40,498**	**4,673**	**6,239**	**51,410**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, (thousands of Canadian $)	**2013**	2012
Cash flows from operating activities		
Net income	**24,822**	23,391
Adjustments for:		
Depreciation (note 5)	**1,539**	1,227
Income and other taxes (note 11)	**10,327**	9,233
Stock-based compensation (note 12(d))	**2,523**	1,981
Interest income (note 10)	**(548)**	(472)
	38,663	35,360
Changes in non-cash working capital:		
Trade and other receivables	**(3,643)**	(2,164)
Trade payables and accrued liabilities	**689**	815
Prepaid expenses	**(21)**	(131)
Deferred revenue	**3,596**	4,938
Cash generated from operating activities	**39,284**	38,818
Interest received	**544**	458
Income taxes paid	**(11,755)**	(9,091)
Net cash from operating activities	**28,073**	30,185
Cash flows from financing activities		
Proceeds from issue of common shares	**7,442**	5,874
Dividends paid	**(27,905)**	(20,499)
Common shares buy-back (note 12(c))	**(1,551)**	(438)
Net cash used in financing activities	**(22,014)**	(15,063)
Cash flows used in investing activities		
Property and equipment additions (note 5)	**(2,014)**	(1,501)
Increase (decrease) in cash	**4,045**	13,621
Cash, beginning of year	**55,374**	41,753
Cash, end of year	**59,419**	55,374

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2013 and 2012.

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 consolidated financial statements as at and for the year ended March 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements as at and for the year ended March 31, 2013 were authorized for issuance by the Board of Directors on May 22, 2013.

(b) Basis of Measurement:

The 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 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.

(i) Key judgments in applying accounting policies

The key judgments made in applying accounting policies, apart from those involving estimations (note 2(d)(ii) below), that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

Functional currency – the determination of the functional currency is a matter of determining the primary economic environment in which an entity operates. IAS 21 – *The Effects of Changes in Foreign Exchange Rates,* sets out a number of factors to apply in making the determination of the functional currency. However, applying the factors in IAS 21 does not always result in a clear indication of functional currency. Where IAS 21 factors indicate differing functional currencies within a subsidiary, the Company uses judgment in the ultimate determination of that subsidiary's functional currency, including an assessment

of the nature of the relationship between the Company and the subsidiary. Judgment was applied in the determination of the functional currency of certain of the Company's operating entities.

Research and development – assumptions are made in respect to the eligibility of certain research and development projects in the calculation of scientific research and experimental development ("SR&ED") investment tax credits which are netted against the research and development costs in the statement of comprehensive income. SR&ED claims are subject to audits by relevant taxation authorities and the actual amount may change depending on the outcome of such audits (note 8).

Revenue recognition – certain software license agreements contain multiple-element arrangements as they may also include maintenance fees. Judgment is used in determining a fair value of each element of a contract. Professional services revenue earned from certain consulting contracts is recognized by the stage of completion of the transaction determined using the percentage-of-completion method. Judgment is used in determining the progress of each contract at period end. In assessing revenue recognition, judgment is also used in determining the ability to collect the corresponding account receivable (note 7).

(ii) Estimation uncertainty

The following are the key sources of estimation uncertainty and key assumptions concerning the future, that have a significant risk of causing material adjustments to the carrying amount of assets and liabilities within the next financial year:

Stock-based compensation – assumptions and estimates are used in determining the inputs used in the Black-Scholes option pricing model, including assumptions regarding volatility, dividend yield, risk-free interest rates, forfeiture estimates and expected option lives (note 12(d)).

Property and equipment – estimates are used in determining useful economic lives of property and equipment for the purposes of calculating depreciation (note 5).

Deferred income taxes – assumptions and estimates are made regarding the amount and timing of realization and/or settlement of the temporary differences between the accounting carrying value of the Company's assets versus the tax basis of those assets, and the tax rates at which the differences will be recovered or settled in the future (note 11).

3. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of Consolidation:

The consolidated financial statements include the accounts of CMG and its subsidiaries, all 100% owned. All inter-company transactions and balances have been eliminated on consolidation. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(b) Revenue Recognition:

Revenue consists of software license fees and professional service fees.

Software License Revenue

Software license revenue is comprised 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 licensing fees, whereby the customer purchases the-then-current version of the software and has the right to use that version in perpetuity.

Software license revenue is recognized when persuasive evidence of an arrangement exists, the product has been delivered, the fee is fixed or determinable, and collection of the resulting receivable is probable. In cases where collectability is not deemed probable, revenue is recognized upon receipt of cash, assuming all other criteria have been met.

Annuity/maintenance revenue is recognized on a straight-line basis over the life of the related license period, which is generally one year or less. Revenue for licenses billed in advance is deferred and recognized in revenue over the relevant license period.

License fees for perpetual licenses are recognized fully in revenue when all recognition conditions are satisfied.

Software license agreements with multiple-element arrangements, such as those including license fees and maintenance fees, are recognized as separate units of accounting and are recognized as each element is earned based on the relative fair value of each element. A delivered element is considered a separate unit of accounting if it has value to the customer on a standalone basis, and delivery or performance of the undelivered elements is considered probable and substantially under the Company's control. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting.

Professional Services Revenue
Revenue from professional services, consisting of consulting, training and contract research activities, is recorded on a percentage-of-completion basis or as such services are performed as appropriate in the circumstances. Percentage-of-completion is used when the outcome of the contract can be estimated reliably and is assessed based on work completed as determined by the hours incurred. When the outcome of the contract cannot be estimated reliably, the amount of revenue recognized is limited to the cost incurred in the period.

(c) Cash:

Cash is comprised of interest-earning bank accounts.

(d) Property and Equipment:

Property and equipment are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is based on the cost of an asset and is recognized from the date the item is ready for use in the statement of comprehensive income using the following annual rates and methods that are expected to amortize the cost of the property and equipment over their estimated useful lives:

Computer equipment	33 1/3% straight-line
Furniture and equipment	20% straight-line
Leasehold improvements	Straight-line over the lease term

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in the statement of comprehensive income.

The estimated useful lives and depreciation methods are reviewed at each fiscal year-end and adjusted if appropriate.

(e) Research and Development Costs:

All costs of product research and development are expensed to operations as incurred as the impact of both technological changes and competition require the Company to continually enhance its products on an annual basis. Research and development costs are recorded net of related SR&ED investment tax credits.

(f) Joint Research and Development Costs:

The Company participates in a joint project engaged in product research and development and accordingly records its proportionate share of costs incurred as research and development costs within the statement of comprehensive income.

(g) Finance Income and Finance Costs:

Finance income comprises interest income earned on the bank balances and is recognized as it accrues through the statement of comprehensive income, using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position. Foreign currency gains and losses are recognized in the period in which they occur.

(h) Foreign Currency Translation:

Transactions in foreign currencies are translated to Canadian dollars, the functional currency of the Company, at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the reporting date while non-monetary assets and liabilities that are measured in terms of historical cost are translated using the exchange rates at the dates of the transactions.

Revenues and expenses are translated at the rate of exchange in effect on the transaction dates. Realized and unrealized foreign exchange gains and losses are included in the statement of comprehensive income in the period in which they occur.

(i) Income Taxes:

Income taxes comprise current and deferred tax.

Current tax is the expected tax payable or receivable based on taxable profit for the period calculated using tax rates that have been enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable in respect of previous years. Taxable profit differs from profit as reported in the Consolidated Statement of Operations and Comprehensive Income because of items that are taxable or deductible in other years and items that are never taxable and deductible. Prepaid income taxes and current income taxes payable are offset only when a legally enforceable right of offset exists and the prepaid income tax and tax payable arise in the same tax jurisdiction and relate to the same taxable entity.

Deferred taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes to the extent that it is probable that future taxable profits will be available against which the losses can be utilized. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled. Any change to the net deferred tax assets and liabilities is included in operations in the period it occurs. Deferred tax assets and liabilities are offset only when a legally enforceable right of offset exists and the deferred tax assets and liabilities arise in the same tax jurisdiction and relate to the same taxable entity.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(j) Investment Tax Credits:

The Company receives federal and provincial investment tax credits in Canada on qualified scientific research and experimental development expenditures incurred in each taxation year. Investment tax credits are recorded as a deduction against related expenses or capital items provided that reasonable assurance over collection of the tax credits exists.

(k) Earnings Per Share:

Basic earnings per share is computed by dividing the net income by the weighted average number of Common Shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted to Common Shares. In calculating the dilutive effect of stock options, it is assumed that proceeds received from the exercise of in-the-money stock options are used to repurchase Common Shares at the average market price during the period.

(l) Stock-based Compensation Plan:

The Company has a stock-based compensation plan that is described in note 12(d). The fair value of stock options is determined using the Black-Scholes valuation model as of the grant date and is expensed over the

vesting period, with a corresponding increase in equity, based on the Company's estimate of the number of options that will actually vest. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest and recognizes the impact of any revision in the statement of comprehensive income. When stock options are exercised, the Company records consideration received, together with amounts previously recognized in contributed surplus, as an increase in share capital.

(m) Short-term Employee Benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(n) Financial Instruments:

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company classifies non-derivative financial assets into the following categories:

Financial assets at fair value through profit or loss ("FVTPL"):
A financial asset is classified in this category if it is either held for trading or designated as such upon initial recognition.

It is held for trading if:
- It has been acquired principally for the purpose of selling it in the near term;
- It is part of the Company's portfolio of financial instruments that are managed together and have a pattern of short-term profit taking;
- It is a derivative not designated and effective as a hedging instrument.

It is classified as FVTPL if:
- It forms part of a contract containing one or more embedded derivatives;
- It forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis.

FVTPL are measured initially and subsequently at fair value, and changes therein are recognized in the statement of comprehensive income. Transaction costs are recognized in the statement of comprehensive income as incurred. The Company's only financial asset belonging to this category is cash.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's trade and other receivables are classified as loans and receivables. Trade receivables are recognized initially at fair value plus any directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest rate method less any provision for impairment. The Company's trade and other receivables are classified as current assets. The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) Non-derivative financial liabilities

Financial liabilities at amortized cost include trade payables and accrued liabilities. Such liabilities are initially recognized at fair value on the trade date at which the Company becomes a party to the contractual provisions of the instrument, represented by the amount required to be paid plus any directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within a year; otherwise, they are classified as non-current liabilities. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(iii)Share Capital

Common Shares are classified as equity. Incremental costs directly attributable to the issue of Common Shares are recognized as a deduction from equity, net of any tax effects.

(o) Impairment:

(i) Receivables

Trade and other receivables are assessed for impairment at each reporting date at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired, together with receivables that are not individually significant, are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in the statement of comprehensive income and reflected in an allowance account against trade and other receivables. When a subsequent event (such as the repayment by a debtor) causes the amount of impairment loss to decrease, the decrease is reversed through the statement of comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated, and any impairment loss required is recognized in the statement of comprehensive income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(p) Leases:

The Company's only lease commitments relate to its office premises which are classified as operating leases since they do not transfer the risks and rewards of ownership to the Company. Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

4. ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED:

The following is a summary of new standards, amendments to standards and interpretations not yet effective for the year ended March 31, 2013, and have not been applied in preparing these consolidated financial statements:

- IFRS 9 *Financial Instruments*
  Replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, on the classification and measurement of financial assets and liabilities. The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on April 1, 2015. The Company does not expect IFRS 9 (2010) to have a material impact on the financial statements because of the nature of the Company's operations and the types of financial assets that it holds.

- 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 intends to adopt IFRS 10 in its financial statements for the annual period beginning on April 1, 2013, and does not expect IFRS 10 to have a material impact on the financial statements.

- IFRS 11 *Joint Arrangements*
  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 intends to adopt IFRS 11 in its financial statements for the annual period beginning on April 1, 2013. The Company does not expect IFRS 11 to have a material impact on the financial statements.

- IFRS 12 *Disclosure of Interests in Other Entities*
  Contains the disclosure requirements for entities that have interest in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning April 1, 2013. The Company does not expect the amendments to have a material impact on the financial statements, because of the nature of the Company's interests in other entities.

- IFRS 13 *Fair Value Measurement*
  Replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on April 1, 2013. The Company does not expect IFRS 13 to have a material impact on the financial statements.

- 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 intends to adopt the amendments in its financial statements for the annual period beginning on April 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Company does not expect the amendments to IAS 1 to have a material impact on the financial statements.

- Amendments to IAS 32 and IFRS 7 *Offsetting Financial Assets and Liabilities*
  Amendments to IAS 32 clarifies when an entity has a legally enforceable right to set-off and net versus gross settlement mechanisms, while amendments to IFRS 7 contain new disclosure requirements for offset financial assets and liabilities and netting arrangements. The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on April 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning April 1, 2014. The Company does not expect the amendments to have a material impact on the financial statements.

5. PROPERTY AND EQUIPMENT:

Cost *(thousands of $)*	Computer Equipment	Furniture and Equipment	Leasehold Improvements	Total
Balance at April 1, 2011	4,101	1,430	1,813	7,344
Additions	476	357	668	1,501
Disposals	(328)	(226)	(235)	(789)
Balance at March 31, 2012	4,249	1,561	2,246	8,056
Balance at April 1, 2012	4,249	1,561	2,246	8,056
Additions	1,419	126	469	2,014
Disposals	(269)	-	-	(269)
Balance at March 31, 2013	**5,399**	**1,687**	**2,715**	**9,801**

Accumulated Depreciation *(thousands of $)*	Computer Equipment	Furniture and Equipment	Leasehold Improvements	Total
Balance at April 1, 2011	(2,816)	(770)	(1,204)	(4,790)
Depreciation charge for the year	(764)	(227)	(236)	(1,227)
Disposals	328	227	235	790
Balance at March 31, 2012	(3,252)	(770)	(1,205)	(5,227)
Balance at April 1, 2012	(3,252)	(770)	(1,205)	(5,227)
Depreciation charge for the year	(851)	(262)	(426)	(1,539)
Disposals	269	-	-	269
Balance at March 31, 2013	**(3,834)**	**(1,032)**	**(1,631)**	**(6,497)**

Carrying Amounts	Computer Equipment	Furniture and Equipment	Leasehold Improvements	Total
At March 31, 2012	997	791	1,041	2,829
At March 31, 2013	**1,565**	**655**	**1,084**	**3,304**

6. TRADE PAYABLES AND ACCRUED LIABILITIES:

(thousands of $)	**March 31, 2013**	March 31, 2012
Trade payables	**518**	340
Employee salaries, commissions and benefits payable	**3,574**	3,359
Accrued liabilities and other payables	**1,955**	1,659
	6,047	5,358

7. REVENUE:

Years ended March 31, *(thousands of $)*	**2013**	2012
Software licenses	**62,961**	55,582
Professional services	**5,659**	5,452
	68,620	61,034

8. RESEARCH AND DEVELOPMENT COSTS:

Years ended March 31, (thousands of $)	**2013**	2012
Research and development	**14,364**	12,100
SR&ED investment tax credits	**(1,847)**	(1,471)
	12,517	10,629

9. PERSONNEL EXPENSES:

Years ended March 31, (thousands of $)	**2013**	2012
Salaries, commissions and short-term employee benefits	**24,570**	21,222
Stock-based compensation (note 12(d))	**2,523**	1,981
	27,093	23,203

10. FINANCE INCOME:

Years ended March 31, (thousands of $)	**2013**	2012
Interest income	**548**	472
Net foreign exchange gain	**311**	548
Finance income	**859**	1,020

11. INCOME AND OTHER TAXES:

The major components of income tax expense are as follows:

Years ended March 31, (thousands of $)	**2013**	2012
Current year income taxes	**9,436**	9,001
Adjustment for prior year	**144**	(561)
Current income taxes	**9,580**	8,440
Deferred tax expense (recovery)	**21**	(26)
Foreign withholding and other taxes	**726**	819
	10,327	9,233

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:

Years ended March 31, (thousands of $, unless otherwise stated)	**2013**	2012
Combined statutory tax rate	**25.00%**	26.13%
Expected income tax	**8,788**	8,525
Non-deductible costs	**658**	545
Effect of tax rates in foreign jurisdictions	**168**	165
Withholding taxes	**544**	586
Recognition of previously unrecognized SR&ED investment tax credits	**-**	(463)
Adjustment for prior year	**144**	(98)
Other	**25**	(27)
	10,327	9,233

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

(thousands of $)	**March 31, 2013**	March 31, 2012
Tax liability on SR&ED investment tax credits	**(362)**	(267)
Tax liability on property and equipment	**(17)**	(91)
Deferred tax liability	**(379)**	(358)

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.

12. SHARE CAPITAL:

(a) Authorized:

An unlimited number of Common Shares, an unlimited number of Non-Voting Shares, and an unlimited number of Preferred Shares, issuable in series.

(b) Issued:

(thousands of shares)	Common Shares
Balance, April 1, 2011	36,427
Issued for cash on exercise of stock options	913
Common shares buy-back	(33)
Balance, March 31, 2012	37,307
Balance, April 1, 2012	**37,307**
Issued for cash on exercise of stock options	**913**
Common shares buy-back	**(91)**
Balance, March 31, 2013	**38,129**

Subsequent to March 31, 2013, 27,000 stock options were exercised for cash proceeds of $207,000.

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

(c) Common Shares Buy-back:

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

On April 16, 2012, the Company announced a NCIB commencing on April 18, 2012 to purchase for cancellation up to 3,416,000 of its Common Shares. During the 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.

(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 March 31, 2013, the Company could grant up to 3,812,000 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:

Years ended March 31, (thousands except per share amounts)	**2013**		2012	
	Options Granted	**Weighted Average Exercise Price ($/share)**	Options Granted	Weighted Average Exercise Price ($/share)
Outstanding at beginning of year	**2,903**	**9.85**	2,825	7.41
Granted	**1,006**	**18.19**	1,071	13.43
Exercised	**(913)**	**8.15**	(913)	6.43
Forfeited/cancelled	**(58)**	**15.09**	(80)	10.57
Outstanding at end of year	**2,938**	**13.13**	2,903	9.85
Options exercisable at end of year	**1,207**	**9.75**	1,120	7.31

The range of exercise prices of stock options outstanding and exercisable at March 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)
4.52 - 5.63	104	0.4	5.45	104	5.45
5.64 - 7.80	327	1.4	7.80	327	7.80
7.81 - 9.07	655	2.4	9.07	405	9.07
9.08 - 13.43	855	3.4	13.40	364	13.40
13.44 - 21.75	997	4.3	18.12	7	13.93
	2,938	3.2	13.13	1,207	9.75

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

Years ended March 31,	**2013**	2012
Fair value at grant date ($/option)	**2.45 to 3.83**	1.23 to 3.42
Share price at grant date ($/share)	**17.90 to 21.75**	13.00 to 16.35
Risk-free interest rate (%)	**1.13 to 1.33**	0.99 to 2.06
Estimated hold period prior to exercise (years)	**2 to 4**	2 to 4
Volatility in the price of common shares (%)	**27 to 36**	24 to 37
Dividend yield per common share (%)	**3.39 to 4.12**	3.20 to 4.94

The Company recognized total stock-based compensation expense for the year ended March 31, 2013 of $2,523,000 (2012 – $1,981,000).

(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:

Years ended March 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	**24,822**	**37,643**	**0.66**	23,391	36,866	0.63
Dilutive effect of stock options		**1,143**			1,034	
Diluted	**24,822**	**38,786**	**0.64**	23,391	37,900	0.62

During the year ended March 31, 2013, 65,000 options (2012 – 113,000) were excluded from the computation of the weighted-average number of diluted shares outstanding because their effect was not dilutive.

13. CAPITAL MANAGEMENT:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to maximize the return to its shareholders. The capital structure of the Company consists of cash, credit facilities and shareholders' equity. The Company does not have any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

The Company's policy is to pay quarterly dividends based on the Company's overall financial performance and cash flow generation. Decisions on dividend payments are made on a quarterly basis by the Board of Directors. There can be no assurance as to the amount or payment of such dividends in the future.

Since November 2002, the Company embarked on a series of normal course issuer bids to buy back its shares. Reference is made to note 12(c).

The Company makes adjustments to its capital structure in light of general economic conditions and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may pay dividends, buy back shares or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions not in the ordinary course of business.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

(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.

Overview:

The Company is exposed to risks of varying degrees of significance and likelihood which could affect its ability to achieve its strategic objectives for growth. The main objectives of the Company's risk management process are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal financial risks to which the Company is exposed are described below:

(a) Credit Risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligation and arises principally from the Company's trade and other receivables. The amounts reported in the statements of financial position for trade receivables are net of allowances for bad debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

The Company's trade receivables consist primarily of balances from customers operating in the oil and gas industry, both domestically and internationally, as the Company sells its products and services in over 50 countries worldwide. Some of these countries have greater economic and political risk than experienced in North America and as a result there may be greater risk associated with sales in those jurisdictions. The Company manages this risk by invoicing for the full license term in advance for the majority of software license sales and by invoicing as frequently as the contract allows for consulting and contract research services. In cases where collectability is not deemed probable, revenue is recognized upon receipt of cash, assuming all other criteria have been met. Historically, the Company has not experienced any significant losses related to individual customers or groups of customers in any particular geographic area; therefore, no allowance for doubtful accounts has been established at March 31, 2013 and 2012.

As at March 31, 2013, the Company has a concentration of credit risk with 12 domestic and international customers who represent 72% of trade receivables (2012 – 11 customers; 66%).

The carrying amount of trade and other receivables represents the maximum credit exposure. The maximum exposure to credit risk at March 31, 2013 was $19.1 million (2012 - $15.5 million). The aging of trade and other receivables at the reporting date was:

(thousands of $)	**March 31, 2013**	March 31, 2012
Current	**10,621**	7,648
31-60 days	**4,798**	5,519
61-90 days	**2,493**	159
Over 90 days	**1,229**	2,168
Balance, end of year	**19,141**	15,494

The Company assesses the creditworthiness of its customers on an ongoing basis and it regularly monitors the amount and age of balances outstanding. Payment terms with customers are 30 days from invoice date; however, industry practice can extend these terms. Accordingly, the Company views the credit risks on these amounts as normal for the industry.

The Company minimizes the credit risk of cash by depositing only with a reputable financial institution in highly liquid interest-bearing cash accounts.

(b) Market Risk:

Market risk is the risk that changes in market prices of the foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

(i) Foreign Exchange Risk

The Company operates internationally and primarily prices its products in either the Canadian or US dollar. This gives rise to exposure to market risks from changes in the foreign exchange rates between the Canadian and US dollar. Approximately 67% of the Company's revenues for the year ended March 31, 2013 (2012 – 73%) were denominated in US dollars and at March 31, 2013, the Company had approximately $16.8 million (2012 - $13.4 million) of its working capital denominated in US dollars. The Company currently

does not use derivative instruments to hedge its exposure to those risks but as approximately 23% (2012 – 24%) of the Company's total costs are also denominated in US dollars they provide a partial economic hedge against the fluctuation in this currency exchange. In addition, the Company manages levels of foreign currency held by converting excess US dollars into Canadian dollars at spot rates.

The Company's operations are exposed to currency risk on US denominated financial assets and liabilities with fluctuations in the rate recognized as foreign exchange gains or losses in the Consolidated Statements of Operations and Comprehensive Income. It is estimated that a one cent change in the US dollar would result in a net change of approximately $124,000 to equity and net income for the year ended March 31, 2013. A weaker US dollar with respect to the Canadian dollar will result in a negative impact while the reverse would result from a stronger US dollar.

(ii) Interest Rate Risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in interest-bearing deposits and/or guaranteed investment certificates issued by its principal banker. The Company is exposed to interest cash flow risk from changes in interest rates on its cash balances. Based on the March 31, 2013 cash balance, each 1% change in the interest rate on the Company's cash balance would change equity and net income for the year ended March 31, 2013 by approximately $446,000.

(c) Liquidity Risk:

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company manages liquidity risk through the management of its capital structure as outlined in note 13. The Company's growth is financed through a combination of the cash flows from operations and its cash balances on hand. Given the Company's available liquid resources as compared to the timing of the payments of its liabilities, management assesses the Company's liquidity risk to be low. The Company monitors its expenditures by preparing annual budgets which are updated periodically. At March 31, 2013, the Company has significant cash balances in excess of its obligations and over $800,000 of the line of credit (note 16) available for its use.

15. 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 the minimum annual lease payments as follows:

Years ended March 31, (thousands of $)	**2013**	2012
Less than one year	**2,059**	1,940
Between one and five years	**5,083**	6,784
	7,142	8,724

The Company leases a number of properties under operating leases. During the year ended March 31, 2013, $2.1 million (2012 - $1.9 million) was recognized as an expense in the statement of comprehensive income in respect of operating leases related to office premises.

16. 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 March 31, 2013, US $165,000 (2012 – US $165,000) had been reserved on this line of credit for the letter of credit supporting a performance bond.

17. 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 Years ended March 31,		Property and equipment As at March 31,	
	2013	2012	**2013**	2012
Canada	**26,573**	18,940	**3,132**	2,670
United States	**12,105**	10,656	**53**	71
South America	**12,262**	11,920	**62**	68
Eastern Hemisphere[(1)]	**17,680**	19,518	**57**	20
	68,620	61,034	**3,304**	2,829

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

No customer represents revenue in excess of 10% of total revenue in the years ended March 31, 2013 and 2012.

18. SUBSIDIARIES:

CMG is the beneficial owner of the entire issued share capital and controls all the votes of its subsidiaries. The principal activities of all the subsidiaries are the sale and support for the use of CMG's software licenses. Transactions between subsidiaries are eliminated on consolidation. The following is the list of CMG's subsidiaries:

Subsidiary	Country of Incorporation
Computer Modelling Group Inc.	United States
CMG Venezuela	Venezuela
CMG Middle East FZ LLC	Dubai, UAE

19. 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 consolidated statements of operations and comprehensive income.

For the year ended March 31, 2013, CMG included $3.9 million (2012 - $3.2 million) of costs in its 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 $1.9 million during the year ended March 31, 2013 (2012 - $1.7 million).

20. RELATED PARTIES:

(a) Intercompany Transactions:

The Company has three wholly owned subsidiaries (note 18) which have intercompany transactions under the normal course of operations and are eliminated upon consolidation.

(b) Key Management Personnel Compensation:

The key management personnel of the Company are the members of the Company's executive management team and Board of Directors, and control approximately 6.9% of the outstanding shares of CMG at March 31, 2013.

In addition to their salaries and director fees, as applicable, directors and executive officers also participate in the Company's stock option plan (note 12(d)), which is available to almost all employees of the Company.

Key management personnel compensation comprised the following:

Years ended March 31, (thousands of $)	**2013**	2012
Salaries, bonus and employee benefits	**3,694**	4,310
Stock-based compensation	**724**	616
	4,418	4,926

21. SUBSEQUENT EVENTS:

On May 22, 2013, the Board of Directors declared a quarterly cash dividend of $0.18 per share and a special cash dividend of $0.05 per share on its Common Shares, payable on June 14, 2013, to all shareholders of record at the close of business on June 7, 2013.