Q3 2016

For the period ended December 31, 2015

COMPUTER MODELLING GROUP LTD.

To our Shareholders

Computer Modelling Group Ltd. is very pleased to announce our third quarter results for the three and nine months ended December 31, 2015.

THIRD QUARTER HIGHLIGHTS

Three months ended December 31, ($ thousands, except per share data)	**2015**	2014	$ change	% change
Annuity/maintenance software licenses	**17,297**	16,071	1,226	8%
Perpetual software licenses	**2,729**	7,150	(4,421)	-62%
Total revenue	**21,217**	25,206	(3,989)	-16%
Operating profit	**10,342**	14,315	(3,973)	-28%
Net income	**7,853**	10,982	(3,129)	-28%
Earnings per share - basic	**0.10**	0.14	(0.04)	-29%

Nine months ended December 31, ($ thousands, except per share data)	**2015**	2014	$ change	% change
Annuity/maintenance software licenses	**50,825**	47,368	3,457	7%
Perpetual software licenses	**6,387**	11,243	(4,856)	-43%
Total revenue	**61,782**	64,489	(2,707)	-4%
Operating profit	**28,996**	32,996	(4,000)	-12%
Net income	**21,420**	24,699	(3,279)	-13%
Earnings per share - basic	**0.27**	0.31	(0.04)	-13%

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for Computer Modelling Group Ltd. ("CMG," the "Company," "we" or "our"), presented as at February 9, 2016, should be read in conjunction with the unaudited condensed consolidated financial statements and related notes of the Company for the three and nine months ended December 31, 2015 and the audited consolidated financial statements and MD&A for the years ended March 31, 2015 and 2014 contained in the 2015 Annual Report for CMG. Additional information relating to CMG, including our Annual Information Form, can be found at www.sedar.com. The financial data contained herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, unless otherwise indicated, all amounts in this report are expressed in Canadian dollars and rounded to the nearest thousand.

FORWARD-LOOKING INFORMATION

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

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

- Future software license sales
- The continued financing by and participation of the Company's partners in CoFlow and it being completed in a timely manner
- Ability to enter into additional software license agreements
- Ability to continue current research and new product development
- Ability to recruit and retain qualified staff

Forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties, only some of which are described herein. Many factors could cause the Company's actual results, performance or achievements, or future events or developments, to differ materially from those expressed or implied by the forward-looking information including, without limitation, the following factors which are described in the MD&A of CMG's 2015 Annual Report under the heading "Business Risks":

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

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

NON-IFRS FINANCIAL MEASURES

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

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

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

CORPORATE PROFILE

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

QUARTERLY PERFORMANCE

($ thousands, unless otherwise stated)	Fiscal 2014(1) Q4	Fiscal 2015(2) Q1	Q2	Q3	Q4	Fiscal 2016(3) Q1	Q2	**Q3**
Annuity/maintenance licenses	15,750	15,966	15,331	16,071	16,063	16,738	16,790	**17,297**
Perpetual licenses	1,972	1,432	2,661	7,150	2,162	2,563	1,095	**2,729**
Software licenses	17,722	17,398	17,992	23,221	18,225	19,301	17,885	**20,026**
Professional services	2,254	2,154	1,739	1,985	2,147	2,139	1,240	**1,191**
Total revenue	19,976	19,552	19,731	25,206	20,372	21,440	19,125	**21,217**
Operating profit	9,561	9,121	9,560	14,315	8,520	10,494	8,160	**10,342**
Operating profit (%)	48	47	48	57	42	49	43	**49**
EBITDA(4)	10,001	9,488	9,949	14,717	8,945	10,824	8,519	**10,686**
Profit before income and other taxes	10,761	8,733	10,411	15,144	11,310	9,742	9,365	**10,974**
Income and other taxes	3,025	2,489	2,938	4,162	3,361	2,941	2,599	**3,121**
Net income for the period	7,736	6,244	7,473	10,982	7,949	6,801	6,766	**7,853**
Cash dividends declared and paid	7,449	7,872	7,880	7,862	7,848	7,876	7,891	**7,871**
Per share amounts - ($/share)								
Earnings per share - basic	0.10	0.08	0.09	0.14	0.10	0.09	0.09	**0.10**
Earnings per share - diluted	0.10	0.08	0.09	0.14	0.10	0.09	0.08	**0.10**
Cash dividends declared and paid	0.095	0.10	0.10	0.10	0.10	0.10	0.10	**0.10**

(1) Q4 of fiscal 2014 includes $1.8 million in revenue that pertains to usage of CMG's products in prior quarters.
(2) Q1, Q2, Q3 and Q4 of fiscal 2015 include $1.5 million, $0.2 million, $0.2 million and $0.3 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(3) Q1, Q2 and Q3 of fiscal 2016 include $1.0 million, $0.3 million and $0.7 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(4) EBITDA is defined as net income before adjusting for depreciation expense, finance income, finance costs, and income and other taxes. See "Non-IFRS Financial Measures".

Highlights

During the nine months ended December 31, 2015, as compared to the same period of the prior fiscal year, CMG:

- Increased annuity/maintenance revenue by 7%
- Experienced decrease in total revenue of 4%
- Maintained the same level of spending on research and development

During the nine months ended December 31, 2015, CMG:

- Declared and paid a regular quarterly dividend of $0.10
- Realized basic earnings per share of $0.27
- Purchased 589,000 Common Shares for cancellation under the Normal Course Issuer Bid ("NCIB")

Revenue

Three months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Software licenses	**20,026**	23,221	(3,195)	-14%
Professional services	**1,191**	1,985	(794)	-40%
Total revenue	**21,217**	25,206	(3,989)	-16%
Software license revenue - % of total revenue	**94%**	92%		
Professional services - % of total revenue	**6%**	8%		

Nine months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Software licenses	**57,212**	58,611	(1,399)	-2%
Professional services	**4,570**	5,878	(1,308)	-22%
Total revenue	**61,782**	64,489	(2,707)	-4%
Software license revenue - % of total revenue	**93%**	91%		
Professional services - % of total revenue	**7%**	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 decreased by 16% for the three months ended December 31, 2015, compared to the same period of the previous fiscal year, primarily due to a decrease in software license revenue. Fees for professional services also declined during this time period.

Total revenue decreased by 4% for the nine months ended December 31, 2015, compared to the same period of the previous fiscal year, due to decreases in both software license revenue and professional services.

SOFTWARE LICENSE REVENUE

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

Three months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Annuity/maintenance licenses	**17,297**	16,071	1,226	8%
Perpetual licenses	**2,729**	7,150	(4,421)	-62%
Total software license revenue	**20,026**	23,221	(3,195)	-14%
Annuity/maintenance as a % of total software license revenue	**86%**	69%		
Perpetual as a % of total software license revenue	**14%**	31%		

Nine months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Annuity/maintenance licenses	**50,825**	47,368	3,457	7%
Perpetual licenses	**6,387**	11,243	(4,856)	-43%
Total software license revenue	**57,212**	58,611	(1,399)	-2%
Annuity/maintenance as a % of total software license revenue	**89%**	81%		
Perpetual as a % of total software license revenue	**11%**	19%		

Total software license revenue decreased by 14% in the three months ended December 31, 2015, compared to the same period of the previous fiscal year, due to a decrease in perpetual license sales, partially offset by an increase in annuity/maintenance revenue.

Total software license revenue decreased by 2% in the nine months ended December 31, 2015, compared to the same period of the previous fiscal year, due to a decrease in perpetual licenses partially offset by an increase in annuity/maintenance revenue.

CMG's annuity/maintenance license revenue increased by 8% and 7% during the three and nine months ended December 31, 2015, respectively, compared to the same periods of the previous fiscal year, mainly due to the positive effect of the strengthening of the US dollar in relation to the Canadian dollar.

During the three and nine months ended December 31, 2015, the Eastern Hemisphere and US experienced growth in annuity/maintenance revenue, compared to the same periods of the previous fiscal year, which was partially offset by decreases in South America and Canada.

Our annuity/maintenance revenue is impacted by the revenue recognition from a long-standing customer for which revenue recognition criteria are fulfilled only at the time of the receipt of funds (see the discussion about revenue earned in the current period that pertains to usage of products in prior quarters above the "Quarterly Software License Revenue" graph). The variability of the amounts of the payments received and the timing of such payments may skew the comparison of the recorded annuity/maintenance revenue amounts between periods. No amounts were received from this customer during the three months ended December 31, 2015 and 2014. If we were to remove revenue from this particular customer from the nine months ended December 31, 2015 and 2014, we will notice that the annuity/maintenance revenue increased by 11%, instead of 7%, as compared to the same period of the previous fiscal year. Historically we have received payments from this particular customer, however, there is increasing uncertainty associated with the receipt of payments due to the economic conditions in the country where this customer is located. Payments from this customer will continue to be recorded on a cash basis which may introduce some variability in our reported quarterly annuity/maintenance revenue results.

Perpetual license sales decreased by $4.4 million or 62% for the three months ended December 31, 2015, compared to the same period of the previous fiscal year, with majority of the decline occurring in South America as a result of a large perpetual sale recorded in the third quarter of the previous fiscal year.

Perpetual license sales decreased by $4.9 million or 43% for the nine months ended December 31, 2015, compared to the same period of the previous fiscal year, mainly due to fewer perpetual sales being realized in South America.

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

We can observe from the tables below that the exchange rates between the US and Canadian dollars during the three and nine months ended December 31, 2015, compared to the same periods of the previous fiscal year, had a positive impact on our reported license revenue.

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

Three months ended December 31, ($ thousands)		**2015**	2014	$ change	% change
US dollar annuity/maintenance license sales	**US$**	**10,833**	10,447	386	4%
Weighted average conversion rate		**1.254**	1.086		
Canadian dollar equivalent	**CDN$**	**13,588**	11,350	2,238	20%
US dollar perpetual license sales	**US$**	**2,049**	6,306	(4,257)	-68%
Weighted average conversion rate		**1.333**	1.134		
Canadian dollar equivalent	**CDN$**	**2,732**	7,150	(4,418)	-62%

Nine months ended December 31, ($ thousands)		**2015**	2014	$ change	% change
US dollar annuity/maintenance license sales	**US$**	**31,457**	31,550	(93)	0%
Weighted average conversion rate		**1.232**	1.078		
Canadian dollar equivalent	**CDN$**	**38,759**	34,009	4,750	14%
US dollar perpetual license sales	**US$**	**4,559**	9,620	(5,061)	-53%
Weighted average conversion rate		**1.293**	1.117		
Canadian dollar equivalent	**CDN$**	**5,893**	10,746	(4,853)	-45%

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

Three months ended December 31, ($ thousands)	Q3 2015 Balance	Incremental License Growth	Foreign Exchange Impact	**Q3 2016 Balance**
Annuity/maintenance license sales	16,071	(593)	1,819	**17,297**
Perpetual license sales	7,150	(4,830)	409	**2,729**
Total software license revenue	23,221	(5,423)	2,228	**20,026**

Nine months ended December 31, ($ thousands)	Q3 2015 Balance	Incremental License Growth	Foreign Exchange Impact	**Q3 2016 Balance**
Annuity/maintenance license sales	47,368	(1,394)	4,851	**50,825**
Perpetual license sales	11,243	(5,657)	801	**6,387**
Total software license revenue	58,611	(7,051)	5,652	**57,212**

As discussed previously, our annuity/maintenance revenue is impacted by the revenue recognition from a long-standing customer for which revenue recognition criteria are fulfilled only at the time of the receipt of funds. If we were to normalize for this customer, the annuity/maintenance incremental license growth in the above table would have been flat for the nine months ended December 31, 2015.

SOFTWARE REVENUE BY GEOGRAPHIC SEGMENT

Three months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Annuity/maintenance revenue				
Canada	**5,626**	6,457	(831)	-13%
United States	**4,342**	4,178	164	4%
South America	**1,746**	1,783	(37)	-2%
Eastern Hemisphere[1]	**5,583**	3,653	1,930	53%
	17,297	16,071	1,226	8%
Perpetual revenue				
Canada	**-**	-	-	0%
United States	**187**	-	187	0%
South America	**522**	4,310	(3,788)	-88%
Eastern Hemisphere	**2,020**	2,840	(820)	-29%
	2,729	7,150	(4,421)	-62%
Total software license revenue				
Canada	**5,626**	6,457	(831)	-13%
United States	**4,529**	4,178	351	8%
South America	**2,268**	6,093	(3,825)	-63%
Eastern Hemisphere	**7,603**	6,493	1,110	17%
	20,026	23,221	(3,195)	-14%

Nine months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Annuity/maintenance revenue				
Canada	**17,685**	19,063	(1,378)	-7%
United States	**12,983**	11,679	1,304	11%
South America	**4,825**	6,240	(1,415)	-23%
Eastern Hemisphere[1]	**15,332**	10,386	4,946	48%
	50,825	47,368	3,457	7%
Perpetual revenue				
Canada	**496**	497	(1)	0%
United States	**1,369**	174	1,195	687%
South America	**982**	6,579	(5,597)	-85%
Eastern Hemisphere	**3,540**	3,993	(453)	-11%
	6,387	11,243	(4,856)	-43%
Total software license revenue				
Canada	**18,181**	19,560	(1,379)	-7%
United States	**14,352**	11,853	2,499	21%
South America	**5,807**	12,819	(7,012)	-55%
Eastern Hemisphere	**18,872**	14,379	4,493	31%
	57,212	58,611	(1,399)	-2%

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

During the three months ended December 31, 2015, on a geographic basis, total software license sales declined in South America and Canada, partially offset by increases in the Eastern Hemisphere and the US, as compared to the same period of the previous fiscal year.

During the nine months ended December 31, 2015, on a geographic basis, declines in total software license sales in South America and Canada were partially offset by increases in the Eastern Hemisphere and the US, compared to the same period of the previous fiscal year.

The Canadian market (representing 32% of year-to-date total software revenue) experienced declines in annuity/maintenance license sales during the three and nine months ended December 31, 2015, compared to the same periods of the previous fiscal year, due to a reduction in licensing by customers and due to shifting of some licenses from Canada to the US. Perpetual sales remained flat in the three and nine months ended December 31, 2015 compared to the same periods of the previous fiscal year.

The US market (representing 25% of year-to-date total software revenue) grew annuity/maintenance license sales during the three and nine months ended December 31, 2015, compared to the same periods of the previous fiscal year, mainly as a result of the positive effect of foreign exchange on the conversion of the US dollars. While perpetual revenue increased modestly during the three months ended December 31, 2015, it increased by $1.2 million during the nine months ended December 31, 2015, as compared to the same periods of the previous fiscal year as a result of a large perpetual sale in the first quarter of the current fiscal year.

South America (representing 10% of year-to-date total software revenue) experienced declines of 2% and 23%, respectively, in annuity/maintenance license sales during the three and nine months ended December 31, 2015, compared to the same periods of the previous fiscal year, due to a reduction in licensing by some customers. The results for the nine months ended December 31, 2015 were impacted by the variability of amounts recorded from a customer for which revenue is recognized only when cash is received (see the discussion about revenue earned in the current period that pertains to usage of products in prior quarters above the "Quarterly Software License Revenue" graph). To provide a normalized comparison, if we were to remove revenue from this particular customer from the nine months ended December 31, 2015 and 2014, we will notice that the annuity/maintenance revenue remained flat instead of decreasing by 23%, as compared to the same period of the previous fiscal year. No amounts were received from this customer during the three months ended December 31, 2015 and 2014. The South American region experienced decreases in perpetual license sales during the three and nine months ended December

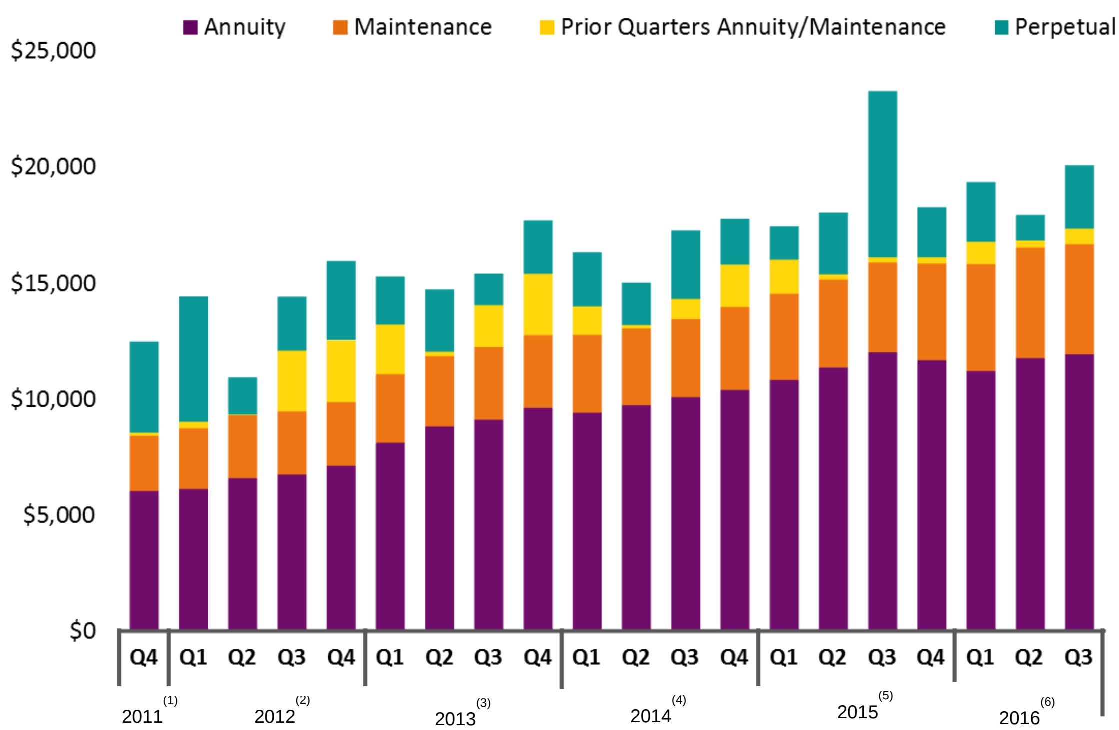
31, 2015, compared to the same periods of the previous fiscal year, mainly as a result of the large perpetual sale during the third quarter of the previous fiscal year.

The Eastern Hemisphere (representing 33% of the year-to-date total software revenue) grew annuity/maintenance license sales by 53% and 48%, respectively, during the three and nine months ended December 31, 2015, compared to the same periods of the previous fiscal year, mainly due to sales to existing customers. Fewer perpetual license sales were realized in the three and nine months ended December 31, 2015, compared to the same periods of the previous fiscal year.

Software license revenue in the US, South America and Eastern Hemisphere were positively affected by the strengthening of the US dollar during the three and nine months ended December 31, 2015, compared to the same periods of the previous fiscal year.

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 the revenue recognition criteria being satisfied only at the time of the receipt of cash. The dollar magnitude of such contracts may be significant to the quarterly comparatives of our annuity/maintenance revenue stream and, to provide a normalized comparison, we specifically identify the revenue component where revenue recognition is satisfied in the current period for products provided in previous quarters.

QUARTERLY SOFTWARE LICENSE REVENUE ($THOUSANDS)



(1) Q4 of fiscal 2011 includes $0.1 million in revenue that pertains to usage of CMG's products in prior quarters.
(2) Q1, Q2, Q3 and Q4 of fiscal 2012 include $0.3 million, $0.04 million, $2.6 million, and $2.7 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(3) Q1, Q2, 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.
(4) Q1, Q2, Q3 and Q4 of fiscal 2014 include $1.2 million, $0.2 million, $0.9 million, and $1.8 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(5) Q1, Q2, Q3 and Q4 of fiscal 2015 include $1.5 million, $0.2 million, $0.2 million, and $0.3 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(6) Q1, Q2 and Q3 of fiscal 2016 include $1.0 million, $0.3 million, and $0.7 million respectively, in revenue that pertains to usage of CMG's products in prior quarters.

DEFERRED REVENUE

($ thousands)	**Fiscal 2016**	Fiscal 2015	Fiscal 2014	$ change	% change
Deferred revenue at:					
Q1 (June 30)	**27,006**	26,628		378	1%
Q2 (September 30)	**22,608**	22,928		(320)	-1%
Q3 (December 31)	**17,243**	19,180		(1,937)	-10%
Q4 (March 31)		32,663	29,531	3,132	11%

CMG's deferred revenue consists primarily of amounts for pre-sold licenses. Our annuity/maintenance revenue is deferred and recognized on a straight-line basis over the life of the related license period, which is generally one year or less. Amounts are deferred for licenses that have been provided and revenue recognition reflects the passage of time.

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

Deferred revenue as at Q3 of fiscal 2016 decreased by 10%, compared to Q3 of fiscal 2015, mainly as a result of reduced licensing in Canada and South America. It should also be pointed out that during times of economic uncertainty some companies opt to renew licenses over a shorter length of time than a year, which has a negative effect on the deferred revenue balance. The deferred revenue balance at December 31, 2015, has also been affected by the timing difference on recognition of one contract. The deferred revenue associated with this particular contract was included in deferred revenue at the end of Q3 2015, while it was not included in deferred revenue at the end of Q3 2016. If we were to normalize deferred revenue for this amount, the decrease would have been 6% instead of 10%. This amount will be reflected in the fourth quarter deferred revenue balance.

PROFESSIONAL SERVICES REVENUE

CMG recorded professional services revenue of $1.2 million and $4.6 million for the three and nine months ended December 31, 2015, respectively, representing decreases of $0.8 million and $1.3 million, compared to the same periods of the previous fiscal year, due to decreases in project activities by our customers.

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

Expenses

Three months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Sales, marketing and professional services	**5,217**	4,885	332	7%
Research and development	**4,023**	4,261	(238)	-6%
General and administrative	**1,635**	1,745	(110)	-6%
Total operating expenses	**10,875**	10,891	(16)	0%
Direct employee costs(1)	**8,657**	8,576	81	1%
Other corporate costs	**2,218**	2,315	(97)	-4%
	10,875	10,891	(16)	0%

Nine months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Sales, marketing and professional services	**15,379**	13,749	1,630	12%
Research and development	**12,657**	12,588	69	1%
General and administrative	**4,750**	5,156	(406)	-8%
Total operating expenses	**32,786**	31,493	1,293	4%
Direct employee costs(1)	**26,392**	24,891	1,501	6%
Other corporate costs	**6,394**	6,602	(208)	-3%
	32,786	31,493	1,293	4%

(1) Includes salaries, bonuses, stock-based compensation, benefits, commissions, and professional development.

CMG's total operating expenses remained flat during the three months ended December 31, 2015, compared to the same periods of the previous fiscal year, due to a slight increase in direct employee costs being offset by a slight decrease in other corporate costs. More than 20% of total operating expenses are denominated in USD, the majority of which impacts sales, marketing and professional services line item.

CMG's total operating expenses increased by 4% for the nine months ended December 31, 2015, compared to the same period of the previous fiscal year, due to an increase in direct employee costs partially offset by a decrease in other corporate costs. The majority of the increase in total operating expenses is attributable to sales, marketing and professional services, mainly due to the foreign exchange impact as a result of the weakening Canadian dollar, and due to staff additions.

DIRECT EMPLOYEE COSTS

As a technology company, CMG's largest area of expenditure is its people. Approximately 80% of total operating expenses in the nine months ended December 31, 2015 related to direct employee costs, which is consistent with 79% recorded in the comparative period of the previous fiscal year. Staffing levels for the current fiscal year grew in comparison to the previous fiscal year. At December 31, 2015, CMG's full-time equivalent staff complement was 208 employees and consultants, up from 201 full-time equivalent employees and consultants as at December 31, 2014. Direct employee costs increased during the three and nine months ended December 31, 2015, compared to the same periods of the previous fiscal year, due to staff additions, increased levels of compensation and related benefits, partially offset by a decrease in recorded stock-based compensation expense.

OTHER CORPORATE COSTS

Other corporate costs decreased by 4% for the three months ended December 31, 2015, compared to the same period of the previous fiscal year, due to a slight decrease in various corporate costs.

Other corporate costs decreased by 3% for the nine months ended December 31, 2015, compared to the same period of the previous fiscal year, mainly attributable to the inclusion of the costs associated with CMG's biennial technical symposium in the nine months ended December 31, 2014.

RESEARCH AND DEVELOPMENT

Three months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Research and development (gross)	**4,364**	4,586	(222)	-5%
SR&ED credits	**(341)**	(325)	(16)	5%
Research and development	**4,023**	4,261	(238)	-6%
Research and development as a % of total revenue	**19%**	17%		

Nine months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Research and development (gross)	**13,743**	13,556	187	1%
SR&ED credits	**(1,086)**	(968)	(118)	12%
Research and development	**12,657**	12,588	69	1%
Research and development as a % of total revenue	**20%**	20%		

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

The above research and development costs include CMG's share of joint research and development costs associated with the CoFlow project of $1.3 million and $4.4 million for the three and nine months ended December 31, 2015 (2014 - $1.1 million and $3.4 million). See discussion under "Commitments, Off Balance Sheet Items and Transactions with Related Parties."

Research and development costs (gross) decreased by 5% during the three months ended December 31, 2015, compared to the same period of the previous fiscal year mainly as a result of lower consulting costs and recording lower stock-based compensation expense.

Research and development costs (gross) increased by 1% during the nine months ended December 31, 2015, compared to the same period of the previous fiscal year due to an increase in employee compensation costs, partially offset by the decrease in stock-based compensation, consulting and depreciation expenses.

SR&ED credits increased by 5% and 12% for the three and nine months ended December 31, 2015, compared to the same periods of the previous fiscal year, mainly due to an increase in hours spent on SR&ED eligible projects.

DEPRECIATION

Three months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**127**	128	(1)	-1%
Research and development	**178**	225	(47)	-21%
General and administrative	**39**	49	(10)	-20%
Total depreciation	**344**	402	(58)	-14%

Nine months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**382**	358	24	7%
Research and development	**534**	647	(113)	-17%
General and administrative	**117**	153	(36)	-24%
Total depreciation	**1,033**	1,158	(125)	-11%

Depreciation in the three and nine months ended December 31, 2015 decreased slightly, as compared to the same periods in the previous fiscal year.

Finance Income

Three months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Interest income	**116**	169	(53)	-31%
Net foreign exchange gain	**516**	660	(144)	-22%
Total finance income	**632**	829	(197)	-24%

Nine months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Interest income	**416**	546	(130)	-24%
Net foreign exchange gain	**669**	746	(77)	-10%
Total finance income	**1,085**	1,292	(207)	-16%

Interest income decreased in the three and nine months ended December 31, 2015, compared to the same periods of the previous fiscal year, mainly due to investing smaller cash balances at a lower interest rate.

CMG is impacted by the movement of the US dollar against the Canadian dollar as approximately 76% (2014 – 74%) of CMG's revenue for the nine months ended December 31, 2015 is denominated in US dollars, whereas only approximately 27% (2014 – 24%) of CMG's total costs are denominated in US dollars.

The following chart shows the exchange rates used to translate CMG's US dollar denominated working capital at June 30, September 30 and December 31, 2015, 2014 and 2013 and the average exchange rates used to translate income statement items during the nine months ended December 31, 2015, 2014 and 2013:

CDN$ to US$	At June 30	At September 30	At December 31	Nine month trailing average
2013	0.9513	0.9723	0.9402	0.9604
2014	0.9367	0.8922	0.8620	0.9022
2015	**0.8017**	**0.7466**	**0.7225**	**0.7694**

CMG recorded a net foreign exchange gain of $0.5 million for the three months ended December 31, 2015, compared to a net foreign exchange gain of $0.7 million recorded in the same period of the previous fiscal year, due to a weakening of the Canadian dollar during the quarter which contributed positively to the valuation of our US-denominated working capital.

CMG recorded a net foreign exchange gain of $0.7 million for the nine months ended December 31, 2015, compared to a net foreign exchange gain of $0.7 million recorded in the same period of the previous fiscal year, as the net foreign exchange gains recorded in the three months ended September 30, 2015 and December 31, 2015 were partially offset by the $0.9 million net foreign exchange loss recorded in the three months ended June 30, 2015.

Income and Other Taxes

CMG's effective tax rate for the nine months ended December 31, 2015 is reflected as 28.8% (2014 – 28.0%), whereas the prevailing Canadian statutory tax rate is now 26.5%. This difference is primarily due to the non-tax deductibility of stock-based compensation expense.

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

Three months ended December 31, ($ thousands, except per share amounts)	**2015**	2014	$ change	% change
Total revenue	**21,217**	25,206	(3,989)	-16%
Operating expenses	**(10,875)**	(10,891)	16	0%
Operating profit	**10,342**	14,315	(3,973)	-28%
Operating profit as a % of total revenue	**49%**	57%		
Net income for the period	**7,853**	10,982	(3,129)	-28%
Net income for the period as a % of total revenue	**37%**	44%		
Basic earnings per share ($/share)	**0.10**	0.14	(0.04)	-29%

Nine months ended December 31, ($ thousands, except per share amounts)	**2015**	2014	$ change	% change
Total revenue	**61,782**	64,489	(2,707)	-4%
Operating expenses	**(32,786)**	(31,493)	(1,293)	4%
Operating profit	**28,996**	32,996	(4,000)	-12%
Operating profit as a % of total revenue	**47%**	51%		
Net income for the period	**21,420**	24,699	(3,279)	-13%
Net income for the period as a % of total revenue	**35%**	38%		
Basic earnings per share ($/share)	**0.27**	0.31	(0.04)	-13%

Operating profit as a percentage of total revenue for the three months ended December 31, 2015 was at 49% compared to 57% recorded in the same period of the previous fiscal year due to a decline in total revenue.

Operating profit as a percentage of total revenue for the nine months ended December 31, 2015 was at 47% compared to 51% recorded in the same period of the previous fiscal year due to a decline in total revenue and an increase in operating expenses.

Net income for the period as a percentage of revenue decreased to 37% from 44% and to 35% from 38% for the three and nine months ended December 31, 2015, respectively, compared to the same periods of the previous fiscal year.

EBITDA

Three months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Net income for the period	**7,853**	10,982	(3,129)	-28%
Add (deduct):				
Depreciation	**344**	402	(58)	-14%
Finance income	**(632)**	(829)	197	-24%
Income and other taxes	**3,121**	4,162	(1,041)	-25%
EBITDA	**10,686**	14,717	(4,031)	-27%
EBITDA as a % of total revenue	**50%**	58%		

Nine months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Net income for the period	**21,420**	24,699	(3,279)	-13%
Add (deduct):				
Depreciation	**1,033**	1,158	(125)	-11%
Finance income	**(1,085)**	(1,292)	207	-16%
Income and other taxes	**8,661**	9,589	(928)	-10%
EBITDA	**30,029**	34,154	(4,125)	-12%
EBITDA as a % of total revenue	**49%**	53%		

EBITDA decreased by 27% and 12% for the three and nine months ended December 31, 2015, respectively, mainly as a result of the decrease in net income.

EBITDA as a percentage of total revenue decreased to 50% from 58%, and to 49% from 53% for the three and nine months ended December 31, 2015, as compared to the same periods of the previous fiscal year.

Liquidity and Capital Resources

Three months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Cash, beginning of period	**66,806**	65,402	1,404	2%
Cash flow from (used in):				
Operating activities	**6,281**	11,764	(5,483)	-47%
Financing activities	**(6,672)**	(10,911)	4,239	-39%
Investing activities	**(215)**	(335)	120	-36%
Cash, end of period	**66,200**	65,920	280	0%

Nine months ended December 31, ($ thousands)	**2015**	2014	$ change	% change
Cash, beginning of period	**75,342**	72,410	2,932	4%
Cash flow from (used in):				
Operating activities	**17,176**	23,588	(6,412)	-27%
Financing activities	**(25,150)**	(28,863)	3,713	-13%
Investing activities	**(1,168)**	(1,215)	47	-4%
Cash, end of period	**66,200**	65,920	280	0%

OPERATING ACTIVITIES

Cash flow generated from operating activities decreased by $5.5 million in the three months ended December 31, 2015, compared to the same period of the previous fiscal year, mainly due to a decrease in net income and change in deferred revenue, offset by the positive impact of the timing difference of when sales are made and when the resulting receivables are collected.

Similarly, cash flow generated from operating activities decreased by $6.4 million in the nine months ended December 31, 2015, compared to the same period of the previous fiscal year, mainly due to a decrease in net income and change in deferred revenue, offset by the positive impact of the timing difference of when sales are made and when the resulting receivables are collected.

FINANCING ACTIVITIES

Cash used in financing activities during the three and nine months ended December 31, 2015 decreased by $4.2 million and $3.7 million, respectively, compared to the same periods of the previous fiscal year, mainly due to spending less on Common Share buy-backs and receiving more in proceeds from the issuance of Common Shares.

During the nine months ended December 31, 2015, CMG employees and directors exercised options to purchase 833,000 Common Shares, which resulted in cash proceeds of $5.4 million (2014 – 757,000 options exercised to purchase Common Shares which resulted in cash proceeds of $4.6 million).

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

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

In the nine months ended December 31, 2014, CMG paid $23.6 million in dividends, representing the following quarterly dividends:

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

On February 9, 2016, CMG announced the payment of a quarterly dividend of $0.10 per share on CMG's Common Shares. The dividend will be paid on March 15, 2016 to shareholders of record at the close of business on March 7, 2016.

In the fiscal 2012 Management's Discussion and Analysis, we reported that, beginning in fiscal 2013, we would increase the relative proportion of dividends paid quarterly and lower and/or eliminate the amount paid as a special dividend at the end of the fiscal year, in order to provide a more regular income stream to our shareholders throughout the year. The Company's focus will remain on a sustainable quarterly dividend; however, we may consider a special dividend as appropriate.

Based on our expectation of 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 to continue to pay quarterly dividends.

On May 5, 2014, the Company announced a NCIB commencing on May 5, 2014 to purchase for cancellation up to 7,440,000 of its Common Shares. This NCIB ended on May 4, 2015 and 808,000 Common Shares were purchased at market price for a total cost of $9,845,000.

On May 21, 2015, the Company announced a NCIB commencing on May 25, 2015 to purchase for cancellation up to 7,447,000 of its Common Shares. During the nine months ended December 31, 2015, 589,000 Common Shares were purchased at market price for a total cost of $6,906,000 (2014 – 808,000 Common Shares were purchased at market price for a total cost of $9,845,000).

INVESTING ACTIVITIES

CMG's current needs for capital asset investment relate to computer equipment and office infrastructure costs, all of which will be funded internally. During the nine months ended December 31, 2015, CMG expended $1.2 million on property and equipment additions, primarily composed of computing equipment and leasehold improvements. CMG has a capital budget of $2.5 million for fiscal 2016.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2015, CMG has $66.2 million in cash, no debt, and has access to just over $0.8 million under a line of credit with its principal banker.

During the nine months ended December 31, 2015, 33,867,000 shares of CMG's public float were traded on the TSX. As at December 31, 2015, CMG's market capitalization based upon its December 31, 2015 closing price of $8.98 was $707.0 million.

Commitments, Off Balance Sheet Items and Transactions with Related Parties

The Company is the operator of CoFlow, 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 $6.4 million ($3.4 million net of overhead recoveries) for fiscal 2016. 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 pre-sold licenses, which are reflected as deferred revenue on its statement of financial position, and contractual obligations for office leases which are estimated for our fiscal years as follows: 2016 – $0.6 million; 2017 – $2.0 million; 2018 – $3.5 million; 2019 – $4.7 million; 2020 – $4.7 million; thereafter – $86.7 million. During the third quarter of fiscal 2015, CMG finalized a twenty year operating lease for our new Calgary offices which will commence in fiscal 2018.

Business Risks and Critical Accounting Estimates

These remain unchanged from the factors detailed in CMG's 2015 Annual Report.

Changes in Accounting Policies

Accounting policies, presentation and methods of computation remain unchanged from those detailed in CMG's 2015 Annual Report.

Accounting Standards and Interpretations Issued But Not Yet Effective

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

Amendments to IAS 1 *Presentation of Financial Statements*

Amends IAS 1 *Presentation of Financial Statements* to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. The Company intends to adopt these amendments to IAS 1 in its consolidated financial statements beginning April 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 9 *Financial Instruments*

Replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, on the classification and measurement of financial assets, amends the impairment model and includes a new general hedge accounting standard. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The Company intends to adopt IFRS 9 (2014) in its consolidated financial statements beginning April 1, 2018. The Company does not expect IFRS 9 (2014) to have a material impact on the consolidated financial statements because of the nature of the Company's operations and the types of financial assets that it holds.

IFRS 15 *Revenue from Contracts with Customers*

Replaces the guidance in IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services* with a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The new standard is effective for annual periods beginning on or after January 1, 2018. Early application is permitted. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning April 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Outstanding Share Data

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

As at February 9, 2016 (thousands)	
Common Shares	78,751
Options	7,269

On July 13, 2005, CMG adopted a rolling stock option plan which allows the Company to grant options to its employees and directors to acquire Common Shares of up to 10% of the outstanding Common Shares at the date of grant. Based upon this calculation, at February 9, 2016, CMG could grant up to 7,875 stock options.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") as defined under National Instrument 52-109. These controls and procedures were reviewed and the effectiveness of their design and operation was evaluated in fiscal 2015 in accordance with the COSO control framework (1992). The evaluation confirmed the effectiveness of DC&P and ICFR at March 31, 2015. During our fiscal year 2016, we continue to monitor and review our controls and procedures.

During the nine months ended December 31, 2015, there have been no significant changes to the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Outlook

During the current quarter we continued to face the ongoing economic slow-downs in the oil and gas industry, causing our customers to curtail their spending and asset development plans. This impact has been reflected in the decrease in annuity and maintenance revenue in Canada and South America, offset by the increases in the Eastern Hemisphere and the US. Our revenue in foreign regions was positively affected by the strengthening of the US dollar which has contributed to increases in annuity and maintenance revenue during the current quarter and year-to-date. During the current quarter and year-to-date, we realized fewer perpetual license sales than in the same periods of the previous fiscal year, reflective of the budgetary cuts by our customers.

Due to uncertainty of the impact on our future revenue and operating margins, we are taking prudent measures, such as suspending employee recruitment, to control our costs and run our business efficiently. Our operating expenses for the three months ended December 31, 2015, remained flat in comparison to the same period of the previous year.

We will continue to focus on research and development initiatives which provide a foundation for future growth and position us to continue providing much-needed advanced technical tools to our customers now and when economic recovery eventually takes place.

In late September 2015, we released the most recent version of CoFlow, R10, to our partners Shell and Petrobras, which was deployed in a target asset selected by our partners to assist with day-to-day business decisions. R10 will continue to be used on the selected asset, however, due to identified issues with the software performance, further deployment will be temporarily suspended. CoFlow is the newest generation dynamic reservoir modelling system developed jointly with Shell and Petrobras who remain committed to the ongoing development and success of the project. During the current quarter, the CoFlow team continued to work on the next version of software, R11, scheduled to be released in the latter part of calendar 2016.

During the current quarter, we purchased 51,000 Common Shares for $0.5 million under our NCIB given our solid liquidity and our belief that CMG's Common Shares were not trading in price ranges that reflected their underlying value. Using CMG's available capital for the purchase of Common Shares demonstrates our commitment to return value to our shareholders by reducing the number of Common Shares outstanding. During the third quarter, we declared our regular dividend payment of $0.10 per share.

Kenneth M. Dedeluk
President and Chief Executive Officer
February 9, 2016

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	**December 31, 2015**	March 31, 2015
Assets		
Current assets:		
Cash	**66,200**	75,342
Trade and other receivables	**14,487**	27,083
Prepaid expenses	**1,543**	1,271
Prepaid income taxes (note 7)	**1,617**	42
	83,847	103,738
Property and equipment	**2,853**	2,718
Total assets	**86,700**	106,456
Liabilities and shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities	**6,534**	7,753
Income taxes payable (note 7)	**828**	2,415
Deferred revenue	**17,243**	32,663
	24,605	42,831
Deferred tax liability (note 7)	**93**	169
Total liabilities	**24,698**	43,000
Shareholders' equity:		
Share capital	**65,274**	59,397
Contributed surplus	**9,880**	8,561
Retained earnings (deficit)	**(13,152)**	(4,502)
Total shareholders' equity	**62,002**	63,456
Total liabilities and shareholders' equity	**86,700**	106,456

Subsequent events (notes 8 and 14)

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

UNAUDITED (thousands of Canadian $ except per share amounts)	Three months ended December 31 2015	Three months ended December 31 2014	Nine months ended December 31 2015	Nine months ended December 31 2014
Revenue (note 4)	**21,217**	25,206	**61,782**	64,489
Operating expenses				
Sales, marketing and professional services	**5,217**	4,885	**15,379**	13,749
Research and development (note 5)	**4,023**	4,261	**12,657**	12,588
General and administrative	**1,635**	1,745	**4,750**	5,156
	10,875	10,891	**32,786**	31,493
Operating profit	**10,342**	14,315	**28,996**	32,996
Finance income (note 6)	**632**	829	**1,085**	1,292
Profit before income and other taxes	**10,974**	15,144	**30,081**	34,288
Income and other taxes (note 7)	**3,121**	4,162	**8,661**	9,589
Net and total comprehensive income	**7,853**	10,982	**21,420**	24,699
Earnings Per Share				
Basic (note 8(e))	**0.10**	0.14	**0.27**	0.31
Diluted (note 8(e))	**0.10**	0.14	**0.27**	0.31

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Changes in Equity

UNAUDITED (thousands of Canadian $)	Common Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance, April 1, 2014	53,750	5,853	3,565	63,168
Total comprehensive income for the period	-	-	24,699	24,699
Dividends paid	-	-	(23,614)	(23,614)
Shares issued for cash on exercise of stock options (note 8(b))	4,596	-	-	4,596
Common shares buy-back (notes 8(b) & (c))	(592)	-	(9,253)	(9,845)
Stock-based compensation:				
Current period expense	-	2,781	-	2,781
Stock options exercised (note 8(b))	843	(843)	-	-
Balance, December 31, 2014	58,597	7,791	(4,603)	61,785
Balance, April 1, 2015	**59,397**	**8,561**	**(4,502)**	**63,456**
Total comprehensive income for the period	**-**	**-**	**21,420**	**21,420**
Dividends paid	**-**	**-**	**(23,638)**	**(23,638)**
Shares issued for cash on exercise of stock options (note 8(b))	**5,394**	**-**	**-**	**5,394**
Common shares buy-back (notes 8(b) & (c))	**(474)**	**-**	**(6,432)**	**(6,906)**
Stock-based compensation:				**-**
Current period expense	**-**	**2,276**	**-**	**2,276**
Stock options exercised (note 8(b))	**957**	**(957)**	**-**	**-**
Balance, December 31, 2015	**65,274**	**9,880**	**(13,152)**	**62,002**

See accompanying notes to condensed consolidated interim financial statements.

Condensed Consolidated Statements of Cash Flows

UNAUDITED (thousands of Canadian $)	Three months ended December 31 **2015**	Three months ended December 31 2014	Nine months ended December 31 **2015**	Nine months ended December 31 2014
Cash flows from operating activities				
Net income	**7,853**	10,982	**21,420**	24,699
Adjustments for:				
Depreciation	**344**	402	**1,033**	1,158
Income and other taxes (note 7)	**3,121**	4,162	**8,661**	9,589
Stock-based compensation (note 8(d))	**650**	925	**2,276**	2,781
Interest income (note 6)	**(116)**	(169)	**(416)**	(546)
	11,852	16,302	**32,974**	37,681
Changes in non-cash working capital:				
Trade and other receivables	**2,516**	(12)	**12,581**	4,520
Trade payables and accrued liabilities	**774**	2,036	**(1,219)**	631
Prepaid expenses	**(316)**	(226)	**(272)**	(333)
Deferred revenue	**(5,365)**	(3,748)	**(15,420)**	(10,351)
Cash generated from operating activities	**9,461**	14,352	**28,644**	32,148
Interest received	**117**	172	**431**	551
Income taxes paid	**(3,297)**	(2,760)	**(11,899)**	(9,111)
Net cash from operating activities	**6,281**	11,764	**17,176**	23,588
Cash flows from financing activities				
Proceeds from issue of common shares	**1,661**	532	**5,394**	4,596
Dividends paid	**(7,871)**	(7,862)	**(23,638)**	(23,614)
Common shares buy-back (note 8(b) & (c))	**(462)**	(3,581)	**(6,906)**	(9,845)
Net cash used in financing activities	**(6,672)**	(10,911)	**(25,150)**	(28,863)
Cash flows used in investing activities				
Property and equipment additions	**(215)**	(335)	**(1,168)**	(1,215)
Increase (Decrease) in cash	**(606)**	518	**(9,142)**	(6,490)
Cash, beginning of period	**66,806**	65,402	**75,342**	72,410
Cash, end of period	**66,200**	65,920	**66,200**	65,920

See accompanying notes to condensed consolidated interim financial statements.

Notes to Condensed Consolidated Financial Statements

For the three and nine months ended December 31, 2015 and 2014 (unaudited).

1. Reporting Entity:

Computer Modelling Group Ltd. ("CMG") is a company domiciled in Alberta, Canada and is incorporated pursuant to the Alberta Business Corporations Act, with its Common Shares listed on the Toronto Stock Exchange under the symbol "CMG". The address of CMG's registered office is Suite 200, 1824 Crowchild Trail N.W., Calgary, Alberta, Canada, T2M 3Y7. The condensed consolidated financial statements as at and for the three and nine months ended December 31, 2015 comprise CMG and its subsidiaries (together referred to as the "Company"). The Company is a computer software technology company engaged in the development and licensing of reservoir simulation software. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities.

2. Basis of Preparation:

(a) STATEMENT OF COMPLIANCE:

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Accordingly, the condensed consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the year ended March 31, 2015 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and using the accounting policies disclosed in note 3 of the Company's annual consolidated financial statements as at and for the year ended March 31, 2015.

These unaudited condensed consolidated financial statements as at and for the three and nine months ended December 31, 2015 were authorized for issuance by the Board of Directors on February 9, 2016.

(b) BASIS OF MEASUREMENT:

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

(c) FUNCTIONAL AND PRESENTATION CURRENCY:

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

(d) USE OF ESTIMATES, JUDGMENTS AND ASSUMPTIONS:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, costs and expenses for the period. Estimates and underlying assumptions are based on historical experience and other assumptions that are considered reasonable in the circumstances and are reviewed on an on-going basis. Actual results may differ from such estimates and it is possible that the differences could be material. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied in the annual IFRS consolidated financial statements for the year ended March 31, 2015.

3. Significant Accounting Policies:

The condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended March 31, 2015 prepared in accordance with IFRS applicable to those annual consolidated financial statements. The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated interim financial statements as were applied in the Company's consolidated financial statements for the year ended March 31, 2015.

4. Revenue:

Three months ended December 31, (thousands of $)	**2015**	2014
Software licenses	**20,026**	23,221
Professional services	**1,191**	1,985
	21,217	25,206

Nine months ended December 31, (thousands of $)	**2015**	2014
Software licenses	**57,212**	58,611
Professional services	**4,570**	5,878
	61,782	64,489

5. Research and Development:

Three months ended December 31, (thousands of $)	**2015**	2014
Research and development	**4,364**	4,586
Scientific research and experimental development ("SR&ED") investment tax credits	**(341)**	(325)
	4,023	4,261

Nine months ended December 31, (thousands of $)	**2015**	2014
Research and development	**13,743**	13,556
Scientific research and experimental development ("SR&ED") investment tax credits	**(1,086)**	(968)
	12,657	12,588

6. Finance Income:

Three months ended December 31, (thousands of $)	**2015**	2014
Interest income	**116**	169
Net foreign exchange gain	**516**	660
Finance income	**632**	829

Nine months ended December 31, (thousands of $)	**2015**	2014
Interest income	**416**	546
Net foreign exchange gain	**669**	746
Finance income	**1,085**	1,292

7. Income and Other Taxes:

The major components of income tax expense are as follows:

Nine months ended December 31, (thousands of $)	**2015**	2014
Current year income taxes	**8,540**	9,524
Adjustment for prior year	**(263)**	29
Current income taxes	**8,277**	9,553
Deferred tax recovery	**(76)**	(248)
Foreign withholding and other taxes	**460**	284
	8,661	9,589

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

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

Nine months ended December 31, (thousands of $, unless otherwise stated)	**2015**	2014
Combined statutory tax rate	**26.50%**	25.00%
Expected income tax	**7,971**	8,572
Non-deductible costs	**635**	716
Effect of tax rates in foreign jurisdictions	**52**	90
Withholding taxes	**324**	198
Adjustment for prior year	**(263)**	29
Other	**(58)**	(16)
	8,661	9,589

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

(thousands of $)	**December 31, 2015**	March 31, 2015
Tax liability on SR&ED investment tax credits	**(175)**	(230)
Tax asset on property and equipment	**82**	61
Net deferred tax liability	**(93)**	(169)

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

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

8. Share Capital:

(a) AUTHORIZED:

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

(b) ISSUED:

(thousands of shares)	Common Shares
Balance, April 1, 2014	78,419
Issued for cash on exercise of stock options	757
Common shares buy-back	(808)
Balance, December 31, 2014	78,368
Balance, April 1, 2015	**78,487**
Issued for cash on exercise of stock options	**833**
Common shares buy-back	**(589)**
Balance, December 31, 2015	**78,731**

Subsequent to December 31, 2015, 20,000 stock options were exercised for cash proceeds of $134,000.

On May 20, 2015, the Board of Directors considered the merits of renewing the Company's shareholder rights plan on or before the third-year anniversary of shareholder approval of the plan and determined that it was in the best interest of the Company to continue to have a shareholder rights plan in place. Upon careful review, the Board of Directors agreed to approve an amended and restated rights plan (the "Amended and Restated Rights Plan") between the Company and Computershare Limited, 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 9, 2015.

(c) COMMON SHARES BUY-BACK:

On May 5, 2014, the Company announced a Normal Course Issuer Bid ("NCIB") commencing on May 5, 2014 to purchase for cancellation up to 7,440,000 of its Common Shares. This NCIB ended on May 4, 2015 and 808,000 Common Shares were purchased at market price for a total cost of $9,845,000.

On May 21, 2015, the Company announced a NCIB commencing on May 25, 2015 to purchase for cancellation up to 7,447,000 of its Common Shares. During the nine months ended December 31, 2015, 589,000 Common Shares were purchased at market price for a total cost of $6,906,000 (2014 – 808,000 Common Shares were purchased at market price for a total cost of $9,845,000).

(d) STOCK-BASED COMPENSATION PLAN:

The Company adopted a rolling stock option plan as of July 13, 2005, which was reaffirmed by the Company's shareholders on July 10, 2014, which allows it to grant options to acquire Common Shares of up to 10% of the outstanding Common Shares at the date of grant. Based upon this calculation, at December 31, 2015, the Company could grant up to 7,873,000 stock options. Pursuant to the stock option plan, the maximum term of an option granted cannot exceed five years from the date of grant. The outstanding stock options vest as to 50% after the first year anniversary, from date of grant, and then vest as to 25% of the total options granted after each of the second and third year anniversary dates.

The following table outlines changes in stock options:

	Nine months ended December 31, 2015		Year ended March 31, 2015	
	Number of Options (thousands)	**Weighted Average Exercise Price ($/share)**	Number of Options (thousands)	Weighted Average Exercise Price ($/share)
Outstanding at beginning of period	**7,000**	**10.76**	5,858	9.25
Granted	**1,265**	**12.32**	2,148	13.01
Exercised	**(833)**	**6.47**	(876)	6.01
Forfeited	**(142)**	**12.51**	(130)	11.74
Outstanding at end of period	**7,290**	**11.49**	7,000	10.76
Options exercisable at end of period	**4,445**	**10.81**	3,341	9.07

The range of exercise prices of stock options outstanding and exercisable at December 31, 2015 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)
6.50 to 9.55	1,839	1.3	8.38	1,839	8.38
9.56 to 12.26	2,138	2.6	12.19	1,592	12.19
12.27 to 12.85	1,274	4.6	12.32	-	-
12.86 to 14.97	2,039	3.6	13.04	1,014	13.03
	7,290	2.9	11.49	4,445	10.81

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

	Nine months ended December 31, 2015	Year ended March 31, 2015
Fair value at grant date ($/option)	**1.44 to 2.39**	1.27 to 2.50
Share price at grant date ($/share)	**11.06 to 13.98**	11.80 to 14.97
Risk-free interest rate (%)	**0.41 to 0.87**	0.43 to 1.36
Estimated hold period prior to exercise (years)	**2 to 4**	2 to 4
Volatility in the price of common shares (%)	**25 to 28**	22 to 28
Dividend yield per common share (%)	**2.92 to 3.69**	2.67 to 3.21

The Company recognized total stock-based compensation expense for the three and nine months ended December 31, 2015 of $650,000 and $2,276,000, respectively (three and nine months ended December 31, 2014 – $925,000 and $2,781,000, respectively).

(e) EARNINGS PER SHARE:

The following table summarizes the earnings and weighted average number of Common Shares used in calculating basic and diluted earnings per share:

Three months ended December 31, (thousands except per share amounts)	**2015**			2014		
	Earnings ($)	**Weighted Average Shares Outstanding**	**Earnings Per Share ($/share)**	Earnings ($)	Weighted Average Shares Outstanding	Earnings Per Share ($/share)
Basic	**7,853**	**78,614**	**0.10**	10,982	78,560	0.14
Dilutive effect of stock options		**439**			938	
Diluted	**7,853**	**79,053**	**0.10**	10,982	79,498	0.14

Nine months ended December 31, (thousands except per share amounts)	**2015**			2014		
	Earnings ($)	**Weighted Average Shares Outstanding**	**Earnings Per Share ($/share)**	Earnings ($)	Weighted Average Shares Outstanding	Earnings Per Share ($/share)
Basic	**21,420**	**78,748**	**0.27**	24,699	78,632	0.31
Dilutive effect of stock options		**739**			1,205	
Diluted	**21,420**	**79,487**	**0.27**	24,699	79,837	0.31

During the three and nine months ended December 31, 2015, Nil and 1,000 options, respectively (three and nine months ended December 31, 2014 – Nil and 70,000 options, respectively), were excluded from the computation of the weighted-average number of diluted shares outstanding because their effect was not dilutive.

9. Financial Instruments:

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

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

10. Commitments:

(a) RESEARCH COMMITMENTS:

The Company is the operator of a joint project, a collaborative effort with its partners Shell International Exploration and Production BV ("Shell") and Petroleo Brasileiro S.A. ("Petrobras"), to jointly develop CoFlow, the newest generation of reservoir and production system simulation software. 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 $6.4 million ($3.4 million net of overhead recoveries) for fiscal 2016.

(b) LEASE COMMITMENTS:

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

As at December 31, (thousands of $)	**2015**	2014
Less than one year	**2,153**	2,456
Between one and five years	**16,807**	13,308
More than five years	**83,184**	87,624
	102,144	103,388

The Company entered into a twenty year operating lease commitment relating to its Calgary office premises commencing in calendar 2017. The minimum annual lease payments have been reflected in the above schedule.

11. Line Of Credit:

The Company has arranged for a $1.0 million line of credit with its principal banker, which can be drawn down by way of a demand operating credit facility or may be used to support letters of credit. As at December 31, 2015, US $165,000 (March 31, 2015 – US $165,000) had been reserved on this line of credit for the letter of credit supporting a performance bond.

12. Segmented Information:

The Company is organized into one operating segment represented by the development and licensing of reservoir simulation software. The Company provides professional services, consisting of support, training, consulting and contract research activities, to promote the use and development of its software; however, these activities are not evaluated as a separate business segment.

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

(thousands of $)	**Revenue**		**Property and equipment**	
	Nine months ended December 31,		As at December 31,	
	2015	2014	**2015**	2014
Canada	**20,381**	21,919	**2,259**	1,930
United States	**14,605**	12,220	**265**	306
South America	**7,341**	14,987	**266**	311
Eastern Hemisphere(1)	**19,455**	15,363	**63**	62
	61,782	64,489	**2,853**	2,609

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

In the nine months ended December 31, 2015 and 2014, no customer represented 10% or more of total revenue.

13. Joint Operation:

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

For the three and nine months ended December 31, 2015, CMG included $1.3 million and $4.4 million, respectively (three and nine months ended December 31, 2014 - $1.6 million and $4.5 million, respectively) of costs in its condensed consolidated statements of operations and comprehensive income related to this joint project.

Additionally, the Company is entitled to charge the project for various services provided as operator, which were recorded in revenue as professional services and amounted to $0.6 million and $2.1 million during the three and nine months ended December 31, 2015, respectively (three and nine months ended December 31, 2014 - $0.6 million and $2.0 million, respectively).

14. Subsequent Event:

On February 9, 2016, the Board of Directors declared a quarterly cash dividend of $0.10 per share on its Common Shares, payable on March 15, 2016, to all shareholders of record at the close of business on March 7, 2016.

CORPORATE INFORMATION

DIRECTORS

Kenneth M. Dedeluk

Christopher L. Fong [(3)]

Patrick R. Jamieson [(5)]

Peter H. Kinash [(3)] [(5)]

Frank L. Meyer

Chairman of the Board

Robert F. M. Smith [(2)]

John B. Zaozirny [(1)] [(4)]

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

OFFICERS

Kenneth M. Dedeluk
President & CEO

Sandra Balic
Vice President,
Finance & CFO

Ryan N. Schneider
Chief Operating Officer

Robert R. Eastick
Vice President,
CoFlow

Jim C. Erdle
Vice President,
USA & Latin America

R. David Hicks
Vice President,
Eastern Hemisphere

Anjani Kumar
Vice President,
Engineering Solutions and Marketing

Long X. Nghiem
Vice President,
Research & Development

Kathy L. Krug
Corporate Secretary

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TRANSFER AGENT

Computershare Limited

STOCK EXCHANGE LISTING

Toronto Stock Exchange: **CMG**