

Q1 2016

For the period ended June 30, 2015

CMG
COMPUTER
MODELLING
GROUP LTD.

To our Shareholders

Computer Modelling Group Ltd. is very pleased to announce our first quarter results for the three months ended June 30, 2015.

FIRST QUARTER HIGHLIGHTS

| Three months ended June 30, (\$ thousands, except per share data) | 2015 | 2014 | \$ change | % change |
|--|---------------|--------|-----------|----------|
| Annuity/maintenance software licenses | 16,738 | 15,966 | 772 | 5% |
| Perpetual software licenses | 2,563 | 1,432 | 1,131 | 79% |
| Total revenue | 21,440 | 19,552 | 1,888 | 10% |
| Operating profit | 10,494 | 9,121 | 1,373 | 15% |
| Net income | 6,801 | 6,244 | 557 | 9% |
| Earnings per share - basic | 0.09 | 0.08 | 0.01 | 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 August 11, 2015, should be read in conjunction with the unaudited condensed consolidated financial statements and related notes of the Company for the three months ended June 30, 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.

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⁾ | | | | Fiscal 2015 ⁽²⁾ | | | Fiscal 2016 ⁽³⁾ |
|---|----------------------------|--------|--------|--------|----------------------------|--------|--------|----------------------------|
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| Annuity/maintenance licenses | 13,153 | 14,278 | 15,750 | 15,966 | 15,331 | 16,071 | 16,063 | 16,738 |
| Perpetual licenses | 1,829 | 2,942 | 1,972 | 1,432 | 2,661 | 7,150 | 2,162 | 2,563 |
| Software licenses | 14,982 | 17,220 | 17,722 | 17,398 | 17,992 | 23,221 | 18,225 | 19,301 |
| Professional services | 2,202 | 2,007 | 2,254 | 2,154 | 1,739 | 1,985 | 2,147 | 2,139 |
| Total revenue | 17,184 | 19,227 | 19,976 | 19,552 | 19,731 | 25,206 | 20,372 | 21,440 |
| Operating profit | 8,296 | 9,575 | 9,561 | 9,121 | 9,560 | 14,315 | 8,520 | 10,494 |
| Operating profit (%) | 48 | 50 | 48 | 47 | 48 | 57 | 42 | 49 |
| EBITDA ⁽⁴⁾ | 8,675 | 9,972 | 10,001 | 9,488 | 9,949 | 14,717 | 8,945 | 10,824 |
| Profit before income and other taxes | 8,133 | 10,249 | 10,761 | 8,733 | 10,411 | 15,144 | 11,310 | 9,742 |
| Income and other taxes | 2,525 | 3,044 | 3,025 | 2,489 | 2,938 | 4,162 | 3,361 | 2,941 |
| Net income for the period | 5,608 | 7,205 | 7,736 | 6,244 | 7,473 | 10,982 | 7,949 | 6,801 |
| Cash dividends declared and paid | 6,994 | 7,020 | 7,449 | 7,872 | 7,880 | 7,862 | 7,848 | 7,876 |
| Per share amounts - (\$/share) | | | | | | | | |
| Earnings per share - basic | 0.07 | 0.09 | 0.10 | 0.08 | 0.09 | 0.14 | 0.10 | 0.09 |
| Earnings per share - diluted | 0.07 | 0.09 | 0.10 | 0.08 | 0.09 | 0.14 | 0.10 | 0.09 |
| Cash dividends declared and paid | 0.09 | 0.09 | 0.095 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |

(1) Q2, Q3 and Q4 of fiscal 2014 include \$0.2 million, \$0.9 million and \$1.8 million, respectively, 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 of fiscal 2016 includes \$1.0 million 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 three months ended June 30, 2015, as compared to the same period of the fiscal year, CMG:

- Increased annuity/maintenance revenue by 5%
- Increased total revenue by 10%
- Realized basic earnings per share of \$0.09, representing a 13% increase
- Increased spending on research and development by 5%
- Declared and paid a regular dividend of \$0.10

Revenue

| Three months ended June 30, (\$ thousands) | 2015 | 2014 | \$ change | % change |
|---|---------------|---------------|--------------|------------|
| Software licenses | 19,301 | 17,398 | 1,903 | 11% |
| Professional services | 2,139 | 2,154 | (15) | -1% |
| Total revenue | 21,440 | 19,552 | 1,888 | 10% |
| Software license revenue - % of total revenue | 90% | 89% | | |
| Professional services - % of total revenue | 10% | 11% | | |

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 10% for the three months ended June 30, 2015, compared to the same period of the previous fiscal year, mainly due to an increase in software license revenue.

SOFTWARE LICENSE REVENUE

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

| Three months ended June 30, (\$ thousands) | 2015 | 2014 | \$ change | % change |
|--|---------------|---------------|--------------|------------|
| Annuity/maintenance licenses | 16,738 | 15,966 | 772 | 5% |
| Perpetual licenses | 2,563 | 1,432 | 1,131 | 79% |
| Total software license revenue | 19,301 | 17,398 | 1,903 | 11% |
| Annuity/maintenance as a % of total software license revenue | 87% | 92% | | |
| Perpetual as a % of total software license revenue | 13% | 8% | | |

Total software license revenue grew by 11% in the three months ended June 30, 2015, compared to the same period of the previous fiscal year, due to increases in both annuity/maintenance revenue and perpetual license sales.

CMG's annuity/maintenance license revenue increased by 5% during the three months ended June 30, 2015, compared to the same period of the previous fiscal year, due to the positive impact of the strengthening of the US dollar, sales to existing and new customers, and an increase in maintenance revenue tied to perpetual sales.

During the three months ended June 30, 2015, the Eastern Hemisphere and US experienced growth in annuity/maintenance revenue, compared to the same period of the previous fiscal year. This growth was partially offset by a decrease in annuity/maintenance revenue 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. To provide a normalized comparison, if we were to remove revenue from this particular customer from the first quarter of the current and previous fiscal years, we will notice that the annuity/maintenance revenue increased by 15%, instead of 5%, 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 increased by 79% for the three months ended June 30, 2015, compared to the same period of the previous fiscal year, due to growth in perpetual sales in the US and Eastern Hemisphere, partially offset by fewer perpetual sales being realized in Canada and 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 months ended June 30, 2015, compared to the same period 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 June 30, (\$ thousands) | | 2015 | 2014 | \$ change | % change |
|---|--------------|---------------|--------|-----------|----------|
| US dollar annuity/maintenance license sales | US\$ | 10,459 | 10,950 | (491) | -4% |
| Weighted average conversion rate | | 1.211 | 1.074 | | |
| Canadian dollar equivalent | CDN\$ | 12,664 | 11,758 | 906 | 8% |
| US dollar perpetual license sales | US\$ | 2,038 | 955 | 1,083 | 113% |
| Weighted average conversion rate | | 1.242 | 1.088 | | |
| Canadian dollar equivalent | CDN\$ | 2,531 | 1,039 | 1,492 | 144% |

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

| (\$ thousands) | Q1 2015 Balance | Incremental License Growth | Foreign Exchange Impact | Q1 2016 Balance |
|-----------------------------------|--------------------|-------------------------------|----------------------------|--------------------|
| Annuity/maintenance license sales | 15,966 | (662) | 1,434 | 16,738 |
| Perpetual license sales | 1,432 | 817 | 314 | 2,563 |
| Total software license revenue | 17,398 | 155 | 1,748 | 19,301 |

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 \$711,000.

SOFTWARE REVENUE BY GEOGRAPHIC SEGMENT

| Three months ended June 30, (\$ thousands) | 2015 | 2014 | \$ change | % change |
|---|---------------|---------------|--------------|------------|
| Annuity/maintenance revenue | | | | |
| Canada | 5,994 | 6,201 | (207) | -3% |
| United States | 4,323 | 3,655 | 668 | 18% |
| South America | 1,602 | 2,736 | (1,134) | -41% |
| Eastern Hemisphere ⁽¹⁾ | 4,819 | 3,374 | 1,445 | 43% |
| | 16,738 | 15,966 | 772 | 5% |
| Perpetual revenue | | | | |
| Canada | 31 | 393 | (362) | -92% |
| United States | 1,090 | - | 1,090 | 100% |
| South America | 460 | 850 | (390) | -46% |
| Eastern Hemisphere | 982 | 189 | 793 | 420% |
| | 2,563 | 1,432 | 1,131 | 79% |
| Total software license revenue | | | | |
| Canada | 6,025 | 6,594 | (569) | -9% |
| United States | 5,413 | 3,655 | 1,758 | 48% |
| South America | 2,062 | 3,586 | (1,524) | -42% |
| Eastern Hemisphere | 5,801 | 3,563 | 2,238 | 63% |
| | 19,301 | 17,398 | 1,903 | 11% |

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

During the three months ended June 30, 2015, on a geographic basis, total software license sales increased in the Eastern Hemisphere and US while it decreased in South America and Canada, as compared to the same period of the previous fiscal year.

The Canadian market (representing 31% of year-to-date total software revenue) experienced a decline in annuity/maintenance license sales during the three months ended June 30, 2015, compared to the same period of the previous fiscal year, due to a reduction in licensing by some customers and due to shifting of some licenses from Canada to the US. Perpetual revenue for the three months ended June 30, 2015 also decreased compared to the same period of the previous fiscal year.

The US market (representing 28% of year-to-date total software revenue) experienced growth in annuity/maintenance license sales during the three months ended June 30, 2015, compared to the same period of the previous fiscal year, due to sales to existing and new customers. Perpetual revenue increased during the three months ended June 30, 2015, compared to the same period of the previous fiscal year. We continue to experience successive increases in annuity/maintenance license sales in the US as evidenced by the quarterly year-over-year increases of 16%, 30%, 22%, and 32% recorded during Q1 2015, Q2 2015, Q3 2015, and Q4 2015, respectively. This double-digit growth trend has continued into the first quarter of the current fiscal year with the recorded increase of 18%.

South America (representing 11% of year-to-date total software revenue) experienced a decrease in annuity/maintenance license sales during the three months ended June 30, 2015, compared to the same period of the previous fiscal year. The revenue in our South American region can be impacted by the variability of the amounts recorded from a customer for which revenue is recognized only when cash is received (see the discussion about revenue earned in the current period that pertains to usage of products in prior quarters above the "Quarterly Software License Revenue" graph). To provide a normalized comparison, if we were to remove revenue from this particular customer from the first quarter of the current and previous fiscal years, we will notice that the annuity/maintenance revenue increased by 21%, instead of a decrease of 41%, as compared to the same period of the previous fiscal year. The South American region experienced a decrease in perpetual license sales during the three months ended June 30, 2015, compared to the same period of the previous fiscal year.

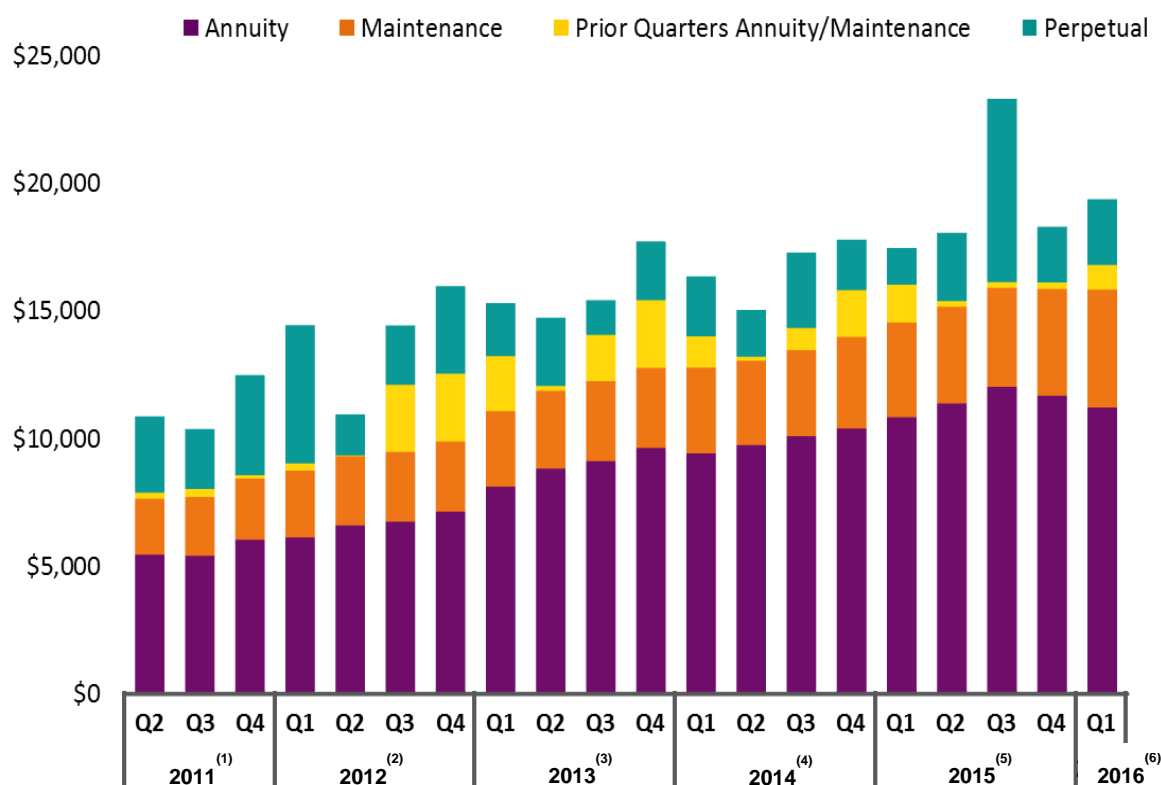
The Eastern Hemisphere (representing 30% of the year-to-date total software revenue) had the most significant growth in annuity/maintenance license sales during the three months ended June 30, 2015, compared to the same period of the previous fiscal year, mainly driven by sales to existing customers. Perpetual revenue also increased during the three months ended June 30, 2015, compared to the same period of the previous fiscal year.

Software license revenue in the US, South America and the Eastern Hemisphere was positively affected by the strengthening of the US dollar during the three months ended June 30, 2015, compared to the same period of 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 continued to grow during the three months ended June 30, 2015. We will continue to focus our efforts on increasing our license sales to both existing and new customers 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 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) Q2, Q3 and Q4 of fiscal 2011 include \$0.2 million, \$0.3 million and \$0.1 million, respectively, 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 of fiscal 2016 includes \$1.0 million in revenue that pertains to usage of CMG's products in prior quarters.

DEFERRED REVENUE

| | Fiscal 2016 | Fiscal 2015 | Fiscal 2014 | \$ change | % change |
|----------------------|----------------|----------------|----------------|-----------|----------|
| (\$ thousands) | | | | | |
| Deferred revenue at: | | | | | |
| Q1 (June 30) | 27,006 | 26,628 | 19,346 | 378 | 1% |
| Q2 (September 30) | | 22,928 | 19,346 | 3,582 | 19% |
| Q3 (December 31) | | 19,180 | 18,069 | 1,111 | 6% |
| 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 increase in deferred revenue year-over-year as at the end of Q2, Q3 and Q4 is reflective of the growth in annuity/maintenance license sales. 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 Q1 of fiscal 2016 was relatively flat compared to Q1 of fiscal 2015, mainly as a result of reduced licensing in the Canadian region, offset by the increases in other regions. 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.

PROFESSIONAL SERVICES REVENUE

CMG recorded professional services revenue of \$2.1 million for the three months ended June 30, 2015, which was consistent with the same period of the previous fiscal year.

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

Expenses

| Three months ended June 30, (\$ thousands) | 2015 | 2014 | \$ change | % change |
|---|---------------|---------------|------------|-----------|
| Sales, marketing and professional services | 4,925 | 4,491 | 434 | 10% |
| Research and development | 4,407 | 4,210 | 197 | 5% |
| General and administrative | 1,614 | 1,730 | (116) | -7% |
| Total operating expenses | 10,946 | 10,431 | 515 | 5% |
| Direct employee costs ⁽¹⁾ | 8,996 | 8,263 | 733 | 9% |
| Other corporate costs | 1,950 | 2,168 | (218) | -10% |
| | 10,946 | 10,431 | 515 | 5% |

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

CMG's total operating expenses increased by 5% for the three months ended June 30, 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.

DIRECT EMPLOYEE COSTS

As a technology company, CMG's largest area of expenditure is its people. Approximately 82% of the total operating expenses in the three months ended June 30, 2015 related to direct employee costs, compared to 79% recorded in the same period of the previous fiscal year. Staffing levels for the current fiscal year grew in comparison to the previous fiscal year to support our continued growth. At June 30, 2015, CMG's full-time equivalent staff complement was 213 employees and consultants, up from 202 full-time equivalent employees and consultants as at June 30, 2014. Direct employee costs increased during the three months ended June 30, 2015, compared to the same period of the previous fiscal year, due to staff additions, increased levels of compensation, and related benefits.

OTHER CORPORATE COSTS

Other corporate costs decreased by 10% for the three months ended June 30, 2015, compared to the same period of the previous fiscal year, mainly due to the inclusion of the costs for CMG's biennial technical symposium in the three months ended June 30, 2014.

RESEARCH AND DEVELOPMENT

| Three months ended June 30, (\$ thousands) | 2015 | 2014 | \$ change | % change |
|--|-------|-------|-----------|----------|
| Research and development (gross) | 4,765 | 4,566 | 199 | 4% |
| SR&ED credits | (358) | (356) | (2) | 1% |
| Research and development | 4,407 | 4,210 | 197 | 5% |
| Research and development as a % of total revenue | 21% | 22% | | |

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 \$1.6 million of costs for CoFlow for the three months ended June 30, 2015 (2014 – \$1.4 million). See discussion under “Commitments, Off Balance Sheet Items and Transactions with Related Parties.”

The increase of 4% in our gross spending on research and development for the three months ended June 30, 2015, compared to the same period of the previous fiscal year, demonstrates our continued commitment to the advancement of our technology which is the focal point of our business strategy.

Research and development costs, net of SR&ED credits, increased by 5% during the three months ended June 30, 2015, compared to the same period of the previous fiscal year, mainly due to an increase in employee compensation costs.

SR&ED credits for the three months ended June 30, 2015 were consistent with the same period of the previous fiscal year.

DEPRECIATION

| Three months ended June 30, (\$ thousands) | 2015 | 2014 | \$ change | % change |
|---|------|------|-----------|----------|
| Depreciation of property and equipment, allocated to: | | | | |
| Sales, marketing and professional services | 122 | 109 | 13 | 12% |
| Research and development | 170 | 206 | (36) | -17% |
| General and administrative | 38 | 52 | (14) | -27% |
| Total depreciation | 330 | 367 | (37) | -10% |

Depreciation in the three months ended June 30, 2015 decreased slightly, compared to the same period in the previous fiscal year.

Finance Income and Costs

| Three months ended June 30, (\$ thousands) | 2015 | 2014 | \$ change | % change |
|---|-------|-------|-----------|----------|
| Interest income | 164 | 193 | (29) | -15% |
| Total finance income | 164 | 193 | (29) | -15% |
| Net foreign exchange loss | (916) | (581) | (335) | 58% |
| Total finance costs | (916) | (581) | (335) | 58% |

Interest income decreased slightly in the three months ended June 30, 2015, compared to the same period of the previous fiscal year, mainly due to lower interest rates.

CMG is impacted by the movement of the US dollar against the Canadian dollar as approximately 77% (2014 – 71%) of CMG's revenue for the three months ended June 30, 2015 is denominated in US dollars, whereas only approximately 26% (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, 2015, 2014 and 2013 and the average exchange rates used to translate income statement items during the three months ended June 30, 2015, 2014 and 2013:

| CDN\$ to US\$ | At June 30 | Three month trailing average |
|---------------|---------------|------------------------------|
| 2013 | 0.9513 | 0.9702 |
| 2014 | 0.9367 | 0.9231 |
| 2015 | 0.8017 | 0.8095 |

CMG recorded a net foreign exchange loss of \$0.9 million for the three months ended June 30, 2015, compared to a net foreign exchange loss of \$0.6 million recorded in the same period of the previous fiscal year, due to a weakening of the US dollar during the quarter which contributed negatively to the valuation of our US-denominated working capital.

Income and Other Taxes

CMG's effective tax rate for the three months ended June 30, 2015 is reflected as 30.2% (2014 – 28.5%), 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 June 30, (\$ thousands, except per share amounts) | 2015 | 2014 | \$ change | % change |
|---|-----------------|----------|-----------|----------|
| Total revenue | 21,440 | 19,552 | 1,888 | 10% |
| Operating expenses | (10,946) | (10,431) | (515) | 5% |
| Operating profit | 10,494 | 9,121 | 1,373 | 15% |
| Operating profit as a % of total revenue | 49% | 47% | | |
| Net income for the period | 6,801 | 6,244 | 557 | 9% |
| Net income for the period as a % of total revenue | 32% | 32% | | |
| Basic earnings per share (\$/share) | 0.09 | 0.08 | 0.01 | 13% |

Operating profit as a percentage of total revenue for the three months ended June 30, 2015 was at 49% compared to 47% recorded in the same period of the previous fiscal year. While our total revenue for the three months ended June 30, 2015 grew by 10%, compared to the same period of the previous fiscal year, our operating expenses grew by 5%, having a positive impact on our operating profit.

Net income for the period as a percentage of revenue remained consistent at 32% for the three months ended June 30, 2015, compared to the same period of the previous fiscal year.

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

EBITDA

| Three months ended June 30, (\$ thousands) | 2015 | 2014 | \$ change | % change |
|---|---------------|-------|-----------|----------|
| Net income for the period | 6,801 | 6,244 | 557 | 9% |
| Add (deduct): | | | | |
| Depreciation | 330 | 367 | (37) | -10% |
| Finance income | (164) | (193) | 29 | -15% |
| Finance costs | 916 | 581 | 335 | 58% |
| Income and other taxes | 2,941 | 2,489 | 452 | 18% |
| EBITDA | 10,824 | 9,488 | 1,336 | 14% |
| EBITDA as a % of total revenue | 50% | 49% | | |

EBITDA increased by 14% for the three months ended June 30, 2015, compared to the same period of the previous fiscal year.

EBITDA as a percentage of total revenue for the three months ended June 30, 2015 was at 50% compared to 49% recorded in the same period of the previous fiscal year.

Liquidity and Capital Resources

| Three months ended June 30, (\$ thousands) | 2015 | 2014 | \$ change | % change |
|---|---------|---------|-----------|----------|
| Cash, beginning of period | 75,342 | 72,410 | 2,932 | 4% |
| Cash flow from (used in): | | | | |
| Operating activities | 9,572 | 7,177 | 2,395 | 33% |
| Financing activities | (5,235) | (6,183) | 948 | -15% |
| Investing activities | (313) | (227) | (86) | 38% |
| Cash, end of period | 79,366 | 73,177 | 6,189 | 8% |

OPERATING ACTIVITIES

Cash flow generated from operating activities increased by \$2.4 million in the three months ended June 30, 2015, compared to the same period of the previous fiscal year, mainly due to the timing difference of when sales are made and when the resulting receivables are collected partially offset by the change in the deferred revenue balance and the timing difference of when income taxes are recorded and paid.

FINANCING ACTIVITIES

Cash used in financing activities during the three months ended June 30, 2015 decreased by \$0.9 million, compared to the same period of the previous fiscal year, mainly due to receiving higher proceeds from the issuance of Common Shares.

During the three months ended June 30, 2015, CMG employees and directors exercised options to purchase 418,000 Common Shares, which resulted in cash proceeds of \$2.6 million (2014 – 324,000 options exercised to purchase Common Shares which resulted in cash proceeds of \$1.7 million).

In the three months ended June 30, 2015, CMG paid \$7.9 million in dividends, representing the following quarterly dividends:

| (\$ per share) | Q1 |
|-----------------------------------|------|
| Total dividends declared and paid | 0.10 |

In the three months ended June 30, 2014, CMG paid \$7.9 million in dividends, representing the following quarterly dividends:

| (\$ per share) | Q1 |
|-----------------------------------|------|
| Total dividends declared and paid | 0.10 |

On August 11, 2015, CMG announced the payment of a quarterly dividend of \$0.10 per share on CMG's Common Shares. The dividend will be paid on September 15, 2015 to shareholders of record at the close of business on September 4, 2015. On August 11, 2015, the Board of Directors also approved the issuance of 1,247,000 options to purchase CMG's Common Shares in accordance with CMG's stock option plan.

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 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 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 finished on May 4, 2015 and 808,000 Common Shares were purchased at market price for a total cost of \$9.8 million.

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 three months ended June 30, 2015, no Common Shares were purchased.

INVESTING ACTIVITIES

CMG's current needs for capital asset investment relate to computer equipment and office infrastructure costs, all of which will be funded internally. During the three months ended June 30, 2015, CMG expended \$0.3 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 June 30, 2015, CMG has \$79.4 million in cash, no debt, and has access to approximately \$0.8 million under a line of credit with its principal banker.

During the three months ended June 30, 2015, 14,226,000 shares of CMG's public float were traded on the TSX. As at June 30, 2015, CMG's market capitalization based upon its June 30, 2015 closing price of \$12.66 was \$998.9 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 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 for our fiscal years as follows: 2016 – \$1.8 million; 2017 – \$1.9 million; 2018 – \$3.5 million; 2019 – \$4.7 million; 2020 – \$4.6; thereafter – \$86.5 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:

| (thousands) | |
|---------------|--------|
| Common Shares | 78,985 |
| Options | 6,426 |

On July 13, 2005, CMG adopted a rolling stock option plan which allows the Company to grant options to its employees, officers and directors to acquire Common Shares of up to 10% of the outstanding Common Shares at the date of grant. Based upon this calculation, at August 11, 2015, CMG could grant up to 7,898,000 stock options.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") as defined under National Instrument 52-109. These controls and procedures were reviewed and the effectiveness of their design and operation was evaluated in fiscal 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. The Company is in the process of implementing the updated COSO control framework (2013) which will supersede the 1992 framework.

During the three months ended June 30, 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 first quarter of fiscal 2016, our annuity and maintenance revenue grew by 5%, compared to the previous fiscal year, with the most significant growth coming from the Eastern Hemisphere at 43%. We also achieved strong perpetual sales of \$2.6 million. We continued to grow our revenue as a result of increased use of our products by existing customers, and we also added new accounts to our customer base. The weakening of the Canadian dollar has also had a positive effect on our revenue balance, compared to the same period of the previous fiscal year, given that approximately 77% of our revenue is denominated in US dollars.

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

For the three months ended June 30, 2015, our EBITDA represented 50% of our total revenue which demonstrates our continuous ability to effectively manage our corporate costs.

With a significant drop in oil prices in late calendar 2014, our customers began curtailing their spending and re-assessing their future asset development plans. Historically we have not been affected by such economic downturns; however, we have experienced only modest growth in the current quarter. We will continue assessing the impact of continued low oil prices on our customers' utilization of our software.

In the meantime, we will continue investing in our 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.

CMG's joint project to develop CoFlow, the newest generation of dynamic reservoir modelling systems, continued to progress towards the next version, R10, and is currently in the stabilization phase with the anticipated release to our partner companies, Shell and Petrobras, within the next month. R10 will be used on target assets selected by our partners. CoFlow will provide a collaborative, integrated modelling framework to allow asset teams, including reservoir, production and geomechanical engineers, to work together on multiple, integrated reservoirs and production networks, which will result in superior engineering decisions for high-stakes offshore developments and reduce the cycle time from asset discovery to field implementation. CMG and its partners remain committed to funding the ongoing development and to the future success of the project.

We are pleased to announce that Anjani Kumar, Vice President, Customer Support and Training will take over oversight of the marketing function which previously reported directly to Ryan Schneider, Chief Operating Officer. Anjani's title has been changed to Vice President, Engineering Solutions and Marketing to reflect the added responsibility. Anjani is a very talented manager who has demonstrated exceptional commitment, technical excellence and leadership capabilities over the course of his career at CMG and we look forward to his continued contribution to CMG's future success.

Supported by our strong working capital position, we will continue to invest in all aspects of our business in order to continue to grow and to ultimately return value to our shareholders in the form of regular quarterly dividend payments and growth in share value.



Kenneth M. Dedeluk
President and Chief Executive Officer
August 11, 2015

Condensed Consolidated Statements of Financial Position

| UNAUDITED (thousands of Canadian \$) | June 30, 2015 | March 31, 2015 |
|---|---------------|----------------|
| Assets | | |
| Current assets: | | |
| Cash | 79,366 | 75,342 |
| Trade and other receivables | 14,739 | 27,083 |
| Prepaid expenses | 1,197 | 1,271 |
| Prepaid income taxes (note 7) | 403 | 42 |
| | 95,705 | 103,738 |
| Property and equipment | 2,701 | 2,718 |
| Deferred tax asset (note 7) | 17 | - |
| Total assets | 98,423 | 106,456 |
| Liabilities and shareholders' Equity | | |
| Current liabilities: | | |
| Trade payables and accrued liabilities | 4,828 | 7,753 |
| Income taxes payable (note 7) | 686 | 2,415 |
| Deferred revenue | 27,006 | 32,663 |
| | 32,520 | 42,831 |
| Deferred tax liability (note 7) | - | 169 |
| Total liabilities | 32,520 | 43,000 |
| Shareholders' equity: | | |
| Share capital | 62,493 | 59,397 |
| Contributed surplus | 8,987 | 8,561 |
| Retained earnings (deficit) | (5,577) | (4,502) |
| Total shareholders' equity | 65,903 | 63,456 |
| Total liabilities and shareholders' equity | 98,423 | 106,456 |

Subsequent events (notes 8 and 14)

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

| Three months ended June 30, UNAUDITED (thousands of Canadian \$ except per share amounts) | 2015 | 2014 |
|--|---------------|--------|
| Revenue (note 4) | 21,440 | 19,552 |
| Operating expenses | | |
| Sales, marketing and professional services | 4,925 | 4,491 |
| Research and development (note 5) | 4,407 | 4,210 |
| General and administrative | 1,614 | 1,730 |
| | 10,946 | 10,431 |
| Operating profit | 10,494 | 9,121 |
| Finance income (note 6) | 164 | 193 |
| Finance costs (note 6) | (916) | (581) |
| Profit before income and other taxes | 9,742 | 8,733 |
| Income and other taxes (note 7) | 2,941 | 2,489 |
| Net and total comprehensive income | 6,801 | 6,244 |
| Earnings Per Share | | |
| Basic (note 8(e)) | 0.09 | 0.08 |
| Diluted (note 8(e)) | 0.09 | 0.08 |

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

| UNAUDITED (thousands of Canadian \$) | Common Share Capital | Contributed Surplus | Retained Earnings (Deficit) | Total Equity |
|---|-------------------------|------------------------|-----------------------------------|-----------------|
| Balance, April 1, 2014 | 53,750 | 5,853 | 3,565 | 63,168 |
| Total comprehensive income for the period | - | - | 6,244 | 6,244 |
| Dividends paid | - | - | (7,872) | (7,872) |
| Shares issued for cash on exercise of stock options (note 8(b)) | 1,689 | - | - | 1,689 |
| Stock-based compensation: | | | | |
| Current period expense | - | 938 | - | 938 |
| Stock options exercised (note 8(b)) | 316 | (316) | - | - |
| Balance, June 30, 2014 | 55,755 | 6,475 | 1,937 | 64,167 |
| Balance, April 1, 2015 | 59,397 | 8,561 | (4,502) | 63,456 |
| Total comprehensive income for the period | - | - | 6,801 | 6,801 |
| Dividends paid | - | - | (7,876) | (7,876) |
| Shares issued for cash on exercise of stock options (note 8(b)) | 2,641 | - | - | 2,641 |
| Stock-based compensation: | | | | |
| Current period expense | - | 881 | - | 881 |
| Stock options exercised (note 8(b)) | 455 | (455) | - | - |
| Balance, June 30, 2015 | 62,493 | 8,987 | (5,577) | 65,903 |

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

| Three months ended June 30, UNAUDITED (thousands of Canadian \$) | 2015 | 2014 |
|---|----------------|---------|
| Cash flows from operating activities | | |
| Net income | 6,801 | 6,244 |
| Adjustments for: | | |
| Depreciation | 330 | 367 |
| Income and other taxes (note 7) | 2,941 | 2,489 |
| Stock-based compensation (note 8(d)) | 881 | 938 |
| Interest income (note 6) | (164) | (193) |
| | 10,789 | 9,845 |
| Changes in non-cash working capital: | | |
| Trade and other receivables | 12,345 | 5,074 |
| Trade payables and accrued liabilities | (2,925) | (1,820) |
| Prepaid expenses | 74 | 90 |
| Deferred revenue | (5,657) | (2,903) |
| Cash generated from operating activities | 14,626 | 10,286 |
| Interest received | 163 | 189 |
| Income taxes paid | (5,217) | (3,298) |
| Net cash from operating activities | 9,572 | 7,177 |
| Cash flows from financing activities | | |
| Proceeds from issue of common shares | 2,641 | 1,689 |
| Dividends paid | (7,876) | (7,872) |
| Net cash used in financing activities | (5,235) | (6,183) |
| Cash flows used in investing activities | | |
| Property and equipment additions | (313) | (227) |
| Increase in cash | 4,024 | 767 |
| Cash, beginning of period | 75,342 | 72,410 |
| Cash, end of period | 79,366 | 73,177 |

See accompanying notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the three months ended June 30, 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 months ended June 30, 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 months ended June 30, 2015 were authorized for issuance by the Board of Directors on August 11, 2015.

(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 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 financial statements as were applied in the Company's consolidated financial statements for the year ended March 31, 2015.

4. Revenue:

| Three months ended June 30, (thousands of \$) | 2015 | 2014 |
|--|---------------|---------------|
| Software licenses | 19,301 | 17,398 |
| Professional services | 2,139 | 2,154 |
| | 21,440 | 19,552 |

5. Research and Development:

| Three months ended June 30, (thousands of \$) | 2015 | 2014 |
|---|--------------|--------------|
| Research and development | 4,765 | 4,566 |
| Scientific research and experimental development ("SR&ED") investment tax credits | (358) | (356) |
| | 4,407 | 4,210 |

6. Finance Income and Finance Costs:

| Three months ended June 30, (thousands of \$) | 2015 | 2014 |
|--|-------|-------|
| Interest income | 164 | 193 |
| Finance income | 164 | 193 |
| Net foreign exchange loss | (916) | (581) |
| Finance costs | (916) | (581) |

7. Income and Other Taxes:

The major components of income tax expense are as follows:

| Three months ended June 30, (thousands of \$) | 2015 | 2014 |
|--|--------------|--------------|
| Current year income taxes | 3,022 | 2,739 |
| Deferred tax recovery | (186) | (319) |
| Foreign withholding and other taxes | 105 | 69 |
| | 2,941 | 2,489 |

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:

| (thousands of \$, unless otherwise stated) | | |
|--|---------------|--------|
| Combined statutory tax rate | 26.50% | 25.00% |
| Expected income tax | 2,582 | 2,183 |
| Non-deductible costs | 239 | 244 |
| Effect of tax rates in foreign jurisdictions | 32 | 17 |
| Withholding taxes | 69 | 38 |
| Other | 19 | 7 |
| | 2,941 | 2,489 |

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

| (thousands of \$) | June 30, 2015 | March 31, 2015 |
|---|---------------|----------------|
| Tax liability on SR&ED investment tax credits | (51) | (230) |
| Tax asset on property and equipment | 68 | 61 |
| Net deferred tax asset (liability) | 17 | (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 to different taxable entities.

8. Share Capital:

(a) AUTHORIZED:

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

(b) ISSUED:

| (thousands of shares) | Common Shares |
|--|---------------|
| Balance, April 1, 2014 | 78,419 |
| Issued for cash on exercise of stock options | 324 |
| Balance, June 30, 2014 | 78,743 |
| Balance, April 1, 2015 | 78,487 |
| Issued for cash on exercise of stock options | 418 |
| Balance, June 30, 2015 | 78,905 |

Subsequent to June 30, 2015, 80,000 stock options were exercised for cash proceeds of \$458,000.

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 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 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 three months ended June 30, 2015, no Common Shares were purchased.

(d) STOCK-BASED COMPENSATION PLAN:

The Company adopted a rolling stock option plan as of July 13, 2005, which was reaffirmed by the Company’s shareholders on July 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 June 30, 2015, the Company could grant up to 7,891,000 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:

| | Three months ended June 30, 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 | 12 | 13.98 | 2,148 | 13.01 |
| Exercised | (418) | 6.32 | (876) | 6.01 |
| Forfeited | (46) | 12.34 | (130) | 11.74 |
| Outstanding at end of period | 6,548 | 11.04 | 7,000 | 10.76 |
| Options exercisable at end of period | 2,930 | 9.48 | 3,341 | 9.07 |

The range of exercise prices of stock options outstanding and exercisable at June 30, 2015 is as follows:

| Exercise Price (\$/option) | Outstanding | | | Exercisable | |
|----------------------------|-------------------------------------|---|--|-------------------------------------|--|
| | Number of Options (thousands) | Weighted Average Remaining Contractual Life (years) | Weighted Average Exercise Price (\$/option) | Number of Options (thousands) | Weighted Average Exercise Price (\$/option) |
| 4.53 - 6.71 | 878 | 1.0 | 6.46 | 878 | 6.46 |
| 6.72 - 9.09 | 1,374 | 2.1 | 9.07 | 950 | 9.06 |
| 9.10 - 12.20 | 2,180 | 3.1 | 12.19 | 1,079 | 12.20 |
| 12.21 - 14.97 | 2,116 | 4.1 | 13.03 | 23 | 14.39 |
| | 6,548 | 3.0 | 11.04 | 2,930 | 9.48 |

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

| | Three months ended June 30, 2015 | Year ended March 31, 2015 |
|---|-------------------------------------|------------------------------|
| Fair value at grant date (\$/option) | 1.85 to 2.39 | 1.27 to 2.50 |
| Share price at grant date (\$/share) | 13.98 | 11.80 to 14.97 |
| Risk-free interest rate (%) | 0.69 to 0.87 | 0.43 to 1.36 |
| Estimated hold period prior to exercise (years) | 3 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 | 2.67 to 3.21 |

The Company recognized total stock-based compensation expense for the three months ended June 30, 2015 of \$881,000 (three months ended June 30, 2014 – \$938,000).

(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:

| Three months ended June 30, (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 | 6,801 | 78,635 | 0.09 | 6,244 | 78,590 | 0.08 |
| Dilutive effect of stock options | | 1,087 | | | 1,976 | |
| Diluted | 6,801 | 79,722 | 0.09 | 6,244 | 80,566 | 0.08 |

During the three months ended June 30, 2015, 138,000 options (three months ended June 30, 2014 – 5,000 options), 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 June 30, (thousands of \$) | 2015 | 2014 |
|-------------------------------------|----------------|-------|
| Less than one year | 2,368 | 2,224 |
| Between one and five years | 15,323 | 3,275 |
| More than five years | 85,395 | - |
| | 103,086 | 5,499 |

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 June 30, 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 | |
|-----------------------------------|-----------------------------|--------|------------------------|-------|
| | Three months ended June 30, | | As at June 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Canada | 6,732 | 7,358 | 2,071 | 2,227 |
| United States | 5,528 | 3,783 | 288 | 61 |
| South America | 3,045 | 4,356 | 286 | 69 |
| Eastern Hemisphere ⁽¹⁾ | 6,135 | 4,055 | 56 | 55 |
| | 21,440 | 19,552 | 2,701 | 2,412 |

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

In the three months ended June 30, 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 months ended June 30, 2015, CMG included \$1.6 million (three months ended June 30, 2014 - \$1.4 million) of costs in its condensed consolidated statements of operations and comprehensive income related to CoFlow.

Additionally, the Company is entitled to charge its partners for various services provided as operator, which were recorded in revenue as professional services and amounted to \$0.8 million during the three months ended June 30, 2015 (three months ended June 30, 2014 - \$0.7 million).

14. Subsequent Events:

On August 11, 2015, the Board of Directors declared a quarterly cash dividend of \$0.10 per share on its Common Shares, payable on September 15, 2015, to all shareholders of record at the close of business on September 4, 2015.

On August 11, 2015, the Board of Directors also approved the issuance of 1,247,000 options to purchase CMG's Common Shares in accordance with CMG's stock option plan.

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**