Q1 2013

for the period ended June 30, 2012

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, 2012.

FIRST QUARTER HIGHLIGHTS

For the three months ended June 30, ($ thousands, except per share data)	**2012**	2011	$ change	% change
Annuity/maintenance software licenses	**13,179**	8,997	4,182	46%
Perpetual software licenses	**2,070**	5,391	(3,321)	-62%
Total revenue	**16,465**	15,939	526	3%
Operating profit	**8,105**	9,092	(987)	-11%
Net income	**6,090**	6,663	(573)	-9%
Earnings per share - basic	**0.16**	0.18	(0.02)	-11%

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for Computer Modelling Group Ltd. ("CMG," the "Company," "we" or "our"), presented as at August 7, 2012, 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, 2012 and the audited consolidated financial statements and MD&A for the years ended March 31, 2012 and 2011 contained in the 2012 Annual Report for CMG. Additional information relating to CMG, including our Annual Information Form, can be found at www.sedar.com. The financial data contained herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, unless otherwise indicated, all amounts in this report are expressed in Canadian dollars and rounded to the nearest thousand.

FORWARD-LOOKING INFORMATION

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

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

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

Forward-looking information is not a guarantee of future performance and involves a number of risks and uncertainties, only some of which are described herein. Many factors could cause the Company's actual results, performance or achievements, or future events or developments, to differ materially from those expressed or implied by the forward-looking information including, without limitation, the following factors which are described in the MD&A of CMG's 2012 Annual Report under the heading "Business Risks":

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

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

NON-IFRS FINANCIAL MEASURES

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

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

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

CORPORATE PROFILE

CMG is a computer software technology company serving the oil and gas industry. The Company is a leading supplier of advanced processes reservoir modelling software with a blue chip client base of international oil companies and technology centers in over 50 countries. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities. CMG has sales and technical support services based in Calgary, Houston, London, Caracas and Dubai. CMG's Common Shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "CMG".

QUARTERLY PERFORMANCE

	Fiscal 2011[1]			Fiscal 2012[2]				**Fiscal 2013[3]**
($ thousands, unless otherwise stated)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	**Q1**
Annuity/maintenance licenses	7,855	7,999	8,531	8,997	9,308	12,056	12,497	**13,179**
Perpetual licenses	2,975	2,335	3,911	5,391	1,596	2,321	3,416	**2,070**
Software licenses	10,830	10,333	12,442	14,388	10,904	14,377	15,913	**15,249**
Professional services	2,502	1,730	1,936	1,551	1,078	1,521	1,302	**1,216**
Total revenue	13,332	12,063	14,378	15,939	11,982	15,898	17,215	**16,465**
Operating profit	6,695	5,516	7,532	9,092	5,226	8,093	9,193	**8,105**
Operating profit %	50	46	52	57	44	51	53	**49**
EBITDA[4]	6,944	5,789	7,818	9,366	5,508	8,414	9,543	**8,423**
Profit before income and other taxes	6,565	5,278	7,413	9,240	6,096	8,184	9,104	**8,577**
Income and other taxes	1,999	1,715	2,605	2,577	1,778	2,394	2,484	**2,487**
Net income for the period	4,565	3,563	4,808	6,663	4,318	5,790	6,620	**6,090**
Cash dividends declared and paid	3,430	3,623	3,643	7,519	4,053	4,079	4,848	**9,736**
Per share amounts - ($/share)								
Earnings per share - basic	0.13	0.10	0.13	0.18	0.12	0.16	0.18	**0.16**
Earnings per share - diluted	0.13	0.10	0.13	0.18	0.11	0.15	0.17	**0.16**
Cash dividends declared and paid	0.095	0.10	0.10	0.205	0.11	0.11	0.13	**0.26**

(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 of fiscal 2013 includes $2.1 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".

Note: all quarterly data contained in the above table has been prepared in accordance with IFRS.

Highlights

During the three months ended June 30, 2012, as compared to the same period of prior fiscal year, CMG:

- Increased annuity/maintenance revenue by 46%
- Increased spending on research and development by 16%
- Paid out a dividend per share of $0.26, representing a 27% increase
- Realized earnings per share of $0.16

Revenue

For the three months ended June 30, ($ thousands)	**2012**	2011	$ change	% change
Software licenses	**15,249**	14,388	861	6%
Professional services	**1,216**	1,551	(335)	-22%
Total revenue	**16,465**	15,939	526	3%
Software license revenue - % of total revenue	**93%**	90%		
Professional services - % of total revenue	**7%**	10%		

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 3% in the current quarter, compared to the first quarter of the previous fiscal year, due to an increase in software license sales driven by the growth in annuity/maintenance license sales. This increase was partially offset by a decrease in fees for professional services earned during the quarter.

SOFTWARE LICENSE REVENUE

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

For the three months ended June 30, ($ thousands)	**2012**	2011	$ change	% change
Annuity/maintenance licenses	**13,179**	8,997	4,182	46%
Perpetual licenses	**2,070**	5,391	(3,321)	-62%
Total software license revenue	**15,249**	14,388	861	6%
Annuity/maintenance as a % of total software license revenue	**86%**	63%		
Perpetual as a % of total software license revenue	**14%**	37%		

Total software license revenue grew by 6% in the current quarter, compared to the first quarter of the previous fiscal year, due to the increase in annuity/maintenance license revenue related to increased sales to new and existing customers. This increase was substantially offset by a decrease in perpetual sales.

CMG's annuity/maintenance license revenue increased by 46% during the three months ended June 30, 2012, compared to the same period of last year. This increase was driven by sales to new and existing clients as well as an increase in maintenance revenue tied to our strong perpetual sales generated in the previous two fiscal years. Part of the increase is due to the inclusion of a payment received from one of our large customers for whom revenue recognition criteria are fulfilled only at the time of the receipt of funds. The payment was received for the licenses and services provided for two quarters of the previous fiscal year (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). Given our long-standing relationship with this client, and the multi-year nature of the contract, we expect to continue to receive payments under this arrangement, however, the amount and timing are uncertain and will continue to be recorded on a cash basis which may introduce some variability in our reported quarterly annuity/maintenance revenue results. If we were to exclude revenue received from this particular customer from the

current quarter's recorded revenue to provide a normalized comparison, we would note that the annuity/maintenance revenue increased by 24% in the current quarter.

Despite some variability introduced by the described arrangement, it should be noted that our annuity/maintenance license sales, representing a recurring revenue stream, have continued to experience consecutive quarterly increases over the past several fiscal years, and this trend has continued in the first quarter of fiscal 2013.

We can observe from the table below that the exchange rates between the US and Canadian dollars during the current quarter compared to the first quarter of the previous fiscal year, had no measurable impact on our reported annuity/maintenance revenue.

Software license revenue under perpetual sales decreased by 62% or $3.3 million for the three months ended June 30, 2012, compared to the same period of the previous fiscal year. In the first quarter of the previous fiscal year, we reported an amount associated with a multi-million perpetual contract in the Eastern Hemisphere which contributed significantly to the revenue growth in the first quarter of the previous year. Even though perpetual sales increased in the Canadian market in the current quarter, we have generated fewer perpetual license sales across all other regions. Software licensing under perpetual sales is a significant part of CMG's business, but may fluctuate significantly between periods due to the uncertainty associated with the timing and the location where sales are generated. For this reason, even though we expect to achieve a certain level of aggregate perpetual sales on an annual basis, we expect to observe fluctuations in the quarterly perpetual revenue amounts throughout the fiscal year. It should be further pointed out, that strong perpetual sales in the previous quarters contributed to the increase in our recurring maintenance revenue in the current quarter.

We can observe from the table below that the exchange rates between the US and Canadian dollars during the current quarter compared to the first quarter of the previous fiscal year, had virtually no impact on our reported perpetual revenue.

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

For the three months ended June 30, ($ thousands)		**2012**	2011	$ change	% change
US dollar annuity/maintenance license sales	**US$**	**8,638**	5,546	3,092	56%
Weighted average conversion rate		**0.999**	0.998		
Canadian dollar equivalent	**CDN$**	**8,626**	5,536	3,090	56%
US dollar perpetual license sales	**US$**	**1,346**	5,621	(4,275)	-76%
Weighted average conversion rate		**0.995**	0.953		
Canadian dollar equivalent	**CDN$**	**1,339**	5,359	(4,020)	-75%

REVENUE BY GEOGRAPHIC SEGMENT

For the three months ended June 30, ($ thousands)	**2012**	2011	$ change	% change
Annuity/maintenance revenue				
Canada	**4,939**	3,734	1,205	32%
United States	**2,392**	1,991	401	20%
South America	**3,162**	822	2,340	285%
Eastern Hemisphere[1]	**2,686**	2,450	236	10%
	13,179	8,997	4,182	46%
Perpetual revenue				
Canada	**561**	32	529	1653%
United States	**404**	462	(58)	-13%
South America	**483**	676	(193)	-29%
Eastern Hemisphere	**622**	4,221	(3,599)	-85%
	2,070	5,391	(3,321)	-62%
Total software license revenue				
Canada	**5,500**	3,766	1,734	46%
United States	**2,796**	2,453	343	14%
South America	**3,645**	1,498	2,147	143%
Eastern Hemisphere	**3,308**	6,671	(3,363)	-50%
	15,249	14,388	861	6%

[1] Includes Europe, Africa, Asia and Australia.

On a geographic basis, total software license sales increased across all regions with the exception of the Eastern Hemisphere which experienced a decline of 50%.

The Canadian market (representing 36% of the current quarter's total software revenue) experienced healthy increases in both annuity/maintenance and perpetual license sales with the recorded increases of $1.2 million and $0.5 million, respectively. These increases were supported by the sales to both new and existing clients. The Canadian market continues to be the leader in generating total software license revenue and, particularly, in generating the recurring annuity/maintenance revenue as evidenced by the consecutive quarterly increases of 49%, 51%, 40% and 17% recorded in the first, second, third and fourth quarters of the previous fiscal year, creating a trend which has continued into the first quarter of the current fiscal year.

The US market (representing 18% of the current quarter's total software revenue) grew the annuity/maintenance revenue stream by $0.4 million in the current quarter compared to the first quarter of the previous fiscal year, offset by a slight decrease in perpetual sales. Similar to the Canadian market, we have continued to see successive increases in the annuity/maintenance license sales in the US as evidenced by the increases of 19%, 19%, 20% and 26% recorded during the first, second, third and fourth quarters of the previous fiscal year. This growth trend has continued into the first quarter of the current fiscal year.

South America (representing 24% of the current quarter's total software revenue) experienced strong growth in annuity/maintenance revenue mainly due to the inclusion of the significant amount on the long-term contract for which revenue is recognized on a cash basis. The current quarter includes the revenue amount associated with licenses and services provided in two quarters of the previous fiscal year. If we were to adjust current quarter's revenue for the described amount, we would notice that South America grew annuity/maintenance revenue by more than 30% as a result of the sales to both new and existing clients. The increase in annuity/maintenance license sales was offset by a decrease of 29% in perpetual license sales.

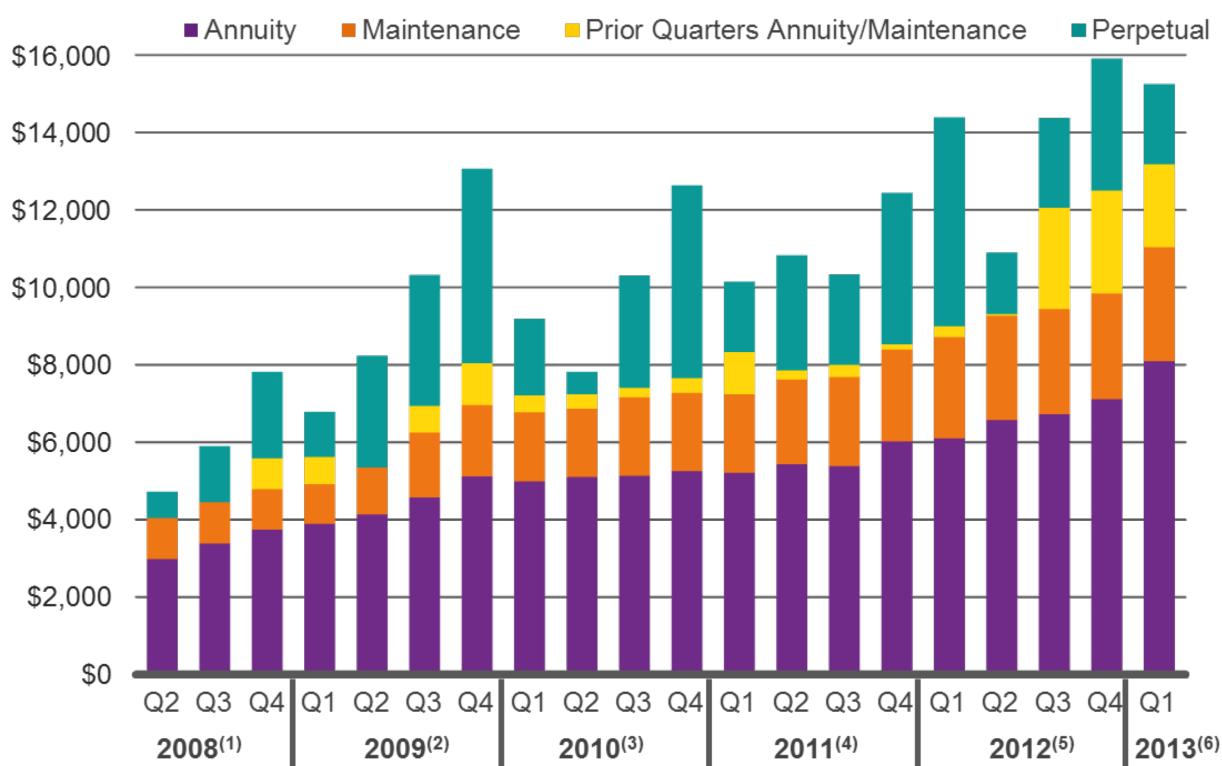
Eastern Hemisphere (representing 22% of the current quarter's total software revenue) grew annuity/maintenance license sales by $0.2 million, which was offset by a decrease of $3.6 million in perpetual sales. A large perpetual sale made during the first quarter of the previous fiscal year, contributed significantly to the revenue growth in the comparative period.

The movements in perpetual sales across the regions are indicative of the unpredictable nature of the timing and location of perpetual license sales. Overall, our recurring annuity/maintenance revenue base continues to be strong and growing across

all regions. We will continue to focus our efforts on increasing our license sales to both existing and new clients and, supported by our product suite offering and our customer-oriented approach, we will endeavor to continue expanding our market share globally.

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

QUARTERLY SOFTWARE LICENSE REVENUE ($THOUSANDS)



(1) Q4 of fiscal 2008 includes $0.8 million in revenue that pertains to usage of CMG's products in prior quarters.

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

(3) Q1, Q2, Q3 and Q4 of fiscal 2010 include $0.4 million, $0. 4 million, $0.3 million and $0.4 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

(4) Q1, Q2, Q3 and Q4 of fiscal 2011 include $1.1 million, $0.2 million, $0.3 million and $0.1 million respectively, in revenue that pertains to usage of CMG's products in prior quarters.

(5) Q1, Q2, Q3 and Q4 of fiscal 2012 include $0.3 million, $0.04 million, $2.6 million, and $2.7 million in revenue that pertains to usage of CMG's products in prior quarters.

(6) Q1 of fiscal 2013 includes $2.1 million in revenue that pertains to usage of CMG's products in prior quarters.

DEFERRED REVENUE

($ thousands)	**2012**	2011	$ change	% change
Deferred revenue at:				
March 31	**21,693**	16,755	4,938	29%
June 30	**18,779**	15,326	3,453	23%

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

The increase in deferred revenue year-over-year as at June 30 and March 31 is reflective of the growth in annuity/maintenance license sales. The variation within the year is due to the timing of renewals of annuity and maintenance contracts that are skewed to the beginning of the calendar year which explains the decrease in the deferred revenue balance at the end of the first quarter (June 30) compared to fiscal year-end (March 31). Deferred revenue at June 30, 2012 increased compared to the same period of prior fiscal year due to both renewal of the existing and signing of the new annuity and maintenance contracts in the quarter.

PROFESSIONAL SERVICES REVENUE

CMG recorded professional services revenue of $1.2 million for the three months ended June 30, 2012, representing a decrease of $0.3 million from the amount recorded for the same period of the previous fiscal year. The first quarter of the previous fiscal year included $0.3 million in a grant received from the CMG Reservoir Simulation Foundation ("Foundation CMG") for the DRMS project which was fulfilled during that same quarter. Refer to the discussion under "Commitments, Off Balance Sheet Items and Transactions with Related Parties." The completion of this funding is the main contributor to the decrease in professional services revenue in the current quarter compared to the first quarter 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 client companies.

Expenses

For the three months ended June 30, ($ thousands)	**2012**	2011	$ change	% change
Sales, marketing and professional services	**3,962**	3,125	837	27%
Research and development	**2,897**	2,495	402	16%
General and administrative	**1,501**	1,227	274	22%
Total operating expenses	**8,360**	6,847	1,513	22%
Direct employee costs*	**6,595**	5,563	1,032	19%
Other corporate costs	**1,765**	1,284	481	37%
	8,360	6,847	1,513	22%

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

CMG's total operating expenses increased by 22% for the three months ended June 30, 2012, compared to the same period of the previous fiscal year due to increases in both direct employee and other corporate costs.

DIRECT EMPLOYEE COSTS

As a technology company, CMG's largest area of expenditure is for its people. Approximately 79% of the total operating expenses in the three months ended June 30, 2012 related to staff costs, compared to 81% recorded in the comparative period of last year. Staffing levels for the first three months of the current fiscal year grew in comparison to the same period of previous fiscal year to support our continued growth. At June 30, 2012, CMG's staff complement was 164 employees, up from 144 employees as at June 30, 2011. Direct employee costs increased during the current quarter compared to the first quarter of the previous fiscal year due to staff additions, increased levels of compensation, commissions and related benefits.

OTHER CORPORATE COSTS

Other corporate costs increased by 37% for the three months ended June 30, 2012, compared to the same period of the previous fiscal year, mainly due to inclusion of the costs associated with CMG's biennial technical symposium which took place during the current quarter. Exclusive of the technical symposium costs, other corporate costs would have only increased by 21%. The remainder of the increase is attributable to the costs associated with the expansion of our office space which occurred in the third quarter of the previous fiscal year. These costs comprise additional office rent, increased computing resources and increased depreciation associated with capital spending on the new space.

RESEARCH AND DEVELOPMENT

For the three months ended June 30, ($ thousands)	**2012**	2011	$ change	% change
Research and development (gross)	**3,385**	2,799	586	21%
SR&ED credits	**(488)**	(304)	(184)	61%
Research and development	**2,897**	2,495	402	16%
Research and development as a % of total revenue	**18%**	16%		

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

The above research and development includes CMG's proportionate share of joint research and development costs on the DRMS system development of $0.8 million for the three months ended June 30, 2012 (2011 - $0.7 million). See discussion under "Commitments, Off Balance Sheet Items and Transactions with Related Parties."

The increase of 21% in our gross spending on research and development for the three months ended June 30, 2012 demonstrates our continued commitment to advancement of our technology which is the focal part of our business strategy. Research and development costs, net of research and experimental development ("SR&ED") credits, increased by 16% during the three months ended June 30, 2012 compared to the same period of the previous fiscal year, due to increased employee compensation costs, investment in computing resources and facilities costs associated with the newly leased office space.

At the same time, we had an increase in SR&ED credits driven mainly by the increases in our direct employee costs as well as the increase in the eligibility of our expenses for SR&ED credits.

DEPRECIATION

For the three months ended June 30, ($ thousands)	**2012**	2011	$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	**98**	91	7	8%
Research and development	**180**	118	62	53%
General and administrative	**40**	65	(25)	-38%
Total depreciation	**318**	274	44	16%

The current quarter's increase in depreciation, compared to the first quarter of the previous fiscal year, reflects the increase in our asset base, mainly as a result of increased spending on computing resources and expansion of the office space in the third quarter of the previous fiscal year.

Finance Income

For the three months ended June 30, ($ thousands)	**2012**	2011	$ change	% change
Interest income	**145**	107	38	36%
Net foreign exchange gain	**327**	41	286	698%
Total finance income	**472**	148	324	219%

Interest income increased in the three months ended June 30, 2012, compared to the same period of the prior fiscal year, mainly due to investing larger cash balances.

CMG is impacted by the movement of the US dollar against the Canadian dollar as approximately 68% (2011 – 75%) of CMG's revenue for the three months ended June 30, 2012 is denominated in US dollars, whereas only approximately 23% (2011 – 21%) of CMG's total costs are denominated in US dollars.

CDN$ to US$	At June 30	Three month trailing average
2010	0.9429	0.9620
2011	1.0370	1.0411
2012	**0.9813**	**0.9861**

CMG recorded a foreign exchange gain of $0.3 million for the three months ended June 30, 2012, compared to $0.04 million foreign exchange gain recorded in the same period of last year.

We have observed increased volatility in the foreign exchange rates between the US and Canadian dollars in the first quarter of the current fiscal year compared to the first quarter of the previous fiscal year, increasing the foreign exchange gain recorded in the current quarter.

Income and Other Taxes

CMG's effective tax rate for the three months ended June 30, 2012 is reflected as 29.0% (2011 – 27.9%), whereas the prevailing Canadian statutory tax rate is now 25.0%. This is primarily due to a combination of the non-tax deductibility of stock-based compensation expense and the benefit of foreign withholding taxes being realized only as a tax deduction as opposed to a tax credit.

The benefit recorded in CMG's books on the SR&ED investment tax credit program impacts deferred income taxes. The investment tax credit earned in the current fiscal year is utilized by CMG to reduce income taxes otherwise payable for the current fiscal year and the federal portion of this benefit bears an inherent tax liability as the amount of the credit is included in

the subsequent year's taxable income for both federal and provincial purposes. The inherent tax liability on these investment tax credits is reflected in the year the credit is earned as a non-current deferred tax liability and then, in the following fiscal year, is transferred to income taxes payable.

Operating Profit and Net Income

For the three months ended June 30, ($ thousands, except per share amounts)	**2012**	2011	$ change	% change
Total revenue	**16,465**	15,939	526	3%
Operating expenses	**(8,360)**	(6,847)	(1,513)	22%
Operating profit	**8,105**	9,092	(987)	-11%
Operating profit as a % of total revenue	**49%**	57%		
Net income for the period	**6,090**	6,663	(573)	-9%
Net income for the period as a % of total revenue	**37%**	42%		
Earnings per share ($/share)	**0.16**	0.18	(0.02)	-11%

The operating profit as a percentage of total revenue for the three months ended June 30, 2012 was at 49%, compared to 57% recorded in the same period of the previous fiscal year. The first quarter of the prior fiscal year included a large perpetual sale which had a positive impact on last year's operating profit. If we were to exclude this sale from the comparative number, we would notice that the operating profit margin held consistent between the two periods which demonstrates effective management of corporate costs.

Net income as a percentage of revenue decreased to 37% for the three months ended June 30, 2012, compared to 42% recorded in the same period of the previous fiscal year, mainly as a result of the decrease in operating profit offset by the positive effect of the changes in foreign exchange rates recorded in the current quarter.

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

EBITDA

For the three months ended June 30, ($ thousands)	**2012**	2011	$ change	% change
Net income for the period	**6,090**	6,663	(573)	-9%
Add (deduct):				
Depreciation	**318**	274	44	16%
Finance income	**(472)**	(148)	(324)	219%
Finance costs	**-**	-	-	0%
Income and other taxes	**2,487**	2,577	(90)	-3%
EBITDA	**8,423**	9,366	(943)	-10%

EBITDA decreased by 10% for the three months ended June 30, 2012, compared to the same period of the previous fiscal year. Consistent with the operating profit, the inclusion of the large perpetual sale in the first quarter of the previous fiscal year also had a positive effect on EBITDA recorded in the comparative period. If we were to remove revenue from this perpetual sale from the previous year's first quarter revenue, we would notice that EBITDA recorded in the current quarter increased in comparison to the first quarter of the previous fiscal year, which provides further indication of our ability to keep growing our recurring annuity/maintenance license sales while effectively managing corporate costs in relation to this base.

Liquidity and Capital Resources

For the three months ended June 30, ($ thousands)	**2012**	2011	$ change	% change
Cash, beginning of period	**55,374**	41,753	13,621	33%
Cash flow from (used in):				
Operating activities	**6,661**	2,840	3,821	135%
Financing activities	**(10,063)**	(6,082)	(3,981)	65%
Investing activities	**(437)**	(164)	(273)	166%
Cash, end of period	**51,535**	38,347	13,188	34%

OPERATING ACTIVITIES

Cash flow generated from operating activities increased by $3.8 million in the three months ended June 30, 2012, compared to the same period of last year, mainly due to the timing differences when the sales are made and when the resulting receivables are collected offset by a decrease in net income and an increase in tax payments made during the quarter.

FINANCING ACTIVITIES

Cash used in financing activities increased by $4.0 million in the three months ended June 30, 2012, compared to the same period of last year, as a result of paying larger dividends and buying back common shares.

During the three months ended June 30, 2012, CMG employees and directors exercised options to purchase 176,000 Common Shares, which resulted in cash proceeds of $1.2 million.

In the three months ended June 30, 2012, CMG paid $9.7 million in dividends, representing the following quarterly dividends:

($ per share)	Q1
Dividends declared and paid	0.16
Special dividend declared and paid	0.10
Total dividends declared and paid	0.26

On August 7, 2012, CMG announced the payment of a quarterly dividend of $0.16 per share on CMG’s Common Shares. The dividend will be paid on September 15, 2012 to shareholders of record at the close of business on September 7, 2012. On August 7, 2012, the Board of Directors also approved the issuance of 995,000 options to purchase CMG’s Common Shares in accordance with CMG’s stock option plan.

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

On April 16, 2012, the Company announced a NCIB commencing on April 18, 2012 to purchase for cancellation up to 3,416,000 of its Common Shares. During the three months ended June 30, 2012, a total of 91,000 Common Shares were purchased at market price for a total cost of $1,551,000.

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 three months ended June 30, 2012, CMG expended $0.4 million on property and equipment additions, primarily composed of computing equipment and leasehold improvements, and currently has a capital budget of $2.1 million for fiscal 2013.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2012, CMG has $51.5 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 three months ended June 30, 2012, 1,897,000 shares of CMG's public float were traded on the TSX. As at June 30, 2012, CMG's market capitalization based upon its June 30, 2012 closing price of $17.37 was $649.5 million.

Commitments, Off Balance Sheet Items and Transactions with Related Parties

The Company is the operator of the DRMS research and development project (the "DRMS project"), a collaborative effort with its partners Shell 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 $4.0 million ($1.9 million net of overhead recoveries) for the current fiscal year. CMG plans to continue funding its share of the project costs associated with the development of the newest generation reservoir simulation software system from internally generated cash flows.

CMG has very little in the way of other ongoing material contractual obligations other than for pre-sold licenses which are reflected as deferred revenue on its statement of financial position, and contractual obligations for office leases which are estimated as follows: 2013 – $1.5 million; 2014 to 2016 – $2.0 million per year; and 2017 – $1.0 million.

Business Risks and Critical Accounting Estimates

These remain unchanged from the factors detailed in CMG's 2012 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:

Standard/Interpretation	Nature of impending change in accounting policy	Impact on CMG's financial statements
IFRS 9 *Financial Instruments* In November 2009 the IASB issued IFRS 9 Financial Instruments (IFRS 9 (2009)), and in October 2010 the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In December 2011, the IASB issued an amendment to IFRS 9 to defer the mandatory effective date to annual periods beginning on or after January 1, 2015.	IFRS 9 (2009) replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition: ▪ financial assets measured at amortized cost; or ▪ financial assets measured at fair value. Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date. IFRS 9 (2010) added guidance to IFRS 9 (2009) on	IFRS 9 (2010) supersedes IFRS 9 (2009) and is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. For annual periods beginning before January 1, 2015, either IFRS 9 (2009) or IFRS 9 (2010) may be applied. The Company intends to adopt IFRS 9 (2010) in its financial statements for the annual period beginning on April 1, 2015. The Company does not expect IFRS 9 (2010) to have a material impact on the financial statements. The classification and measurement of the Company's financial assets and liabilities is not expected to change under IFRS 9 (2010) because of the nature of the Company's operations and the types of financial assets that it holds.

Standard/Interpretation	Nature of impending change in accounting policy	Impact on CMG's financial statements
	the classification and measurement of financial liabilities, and this guidance is consistent with the guidance in IAS 39 expect as described below. Under IFRS 9 (2010), for financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in OCI, with the remainder of the change recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, the entire change in fair value will be recognized in profit or loss. Amounts presented in OCI will not be reclassified to profit or loss at a later date. IFRS 9 (2010) also requires derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument to be measured at fair value, whereas such derivative liabilities are measured at cost under IAS 39. IFRS 9 (2010) also added the requirements of IAS 39 for the derecognition of financial assets and liabilities to IFRS 9 without change. The IASB has deferred the mandatory effective date of the existing chapters of IFRS 9 Financial Instruments (2009) and IFRS 9 (2010) to annual periods beginning on or after January 1, 2015. The early adoption of either standard continues to be permitted.	
IFRS 10 *Consolidated Financial Statements* In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it shall also apply IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time.	IFRS 10 replaces the guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IAS 27 (2008) survives as IAS 27 (2011) *Separate Financial Statements*, only to carry forward the existing accounting requirements for separate financial statements. IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008).	The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on April 1, 2013. The Company does not expect IFRS 10 to have a material impact on the financial statements.
IFRS 11 *Joint Arrangements* In May 2011, the IASB issued IFRS 11 *Joint Arrangements*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it shall also apply IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) at the same time.	IFRS 11 replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped	The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on April 1, 2013. The Company does not expect IFRS 11 to have a material impact on the financial statements.

Standard/Interpretation	Nature of impending change in accounting policy	Impact on CMG's financial statements
	of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method. Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 (2011) and IAS 36 *Impairment of Assets*. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented.	
IFRS 12 *Disclosure of Interests in Other Entities* In May 2011, the IASB issued IFRS 12 *Disclosure of Interests in Other Entities*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this Standard earlier, it needs not to apply IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) at the same time.	IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows.	The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on April 1, 2013. The Company does not expect the amendments to have a material impact on the financial statements, because of the nature of the Company's interests in other entities.
IFRS 13 *Fair Value Measurement* In May 2011, the IASB published IFRS 13 *Fair Value Measurement*, which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application.	IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.	The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on April 1, 2013. The extent of the impact of adoption of IFRS 13 has not yet been determined.

Standard/Interpretation	Nature of impending change in accounting policy	Impact on CMG's financial statements
Amendments to IAS 1 *Presentation of Financial Statements* In June 2011, the IASB published amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*, which are effective for annual periods beginning on or after July 1, 2012 and are to be applied retrospectively. Early adoption is permitted.	The amendments require that an entity present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories. The existing option to present the profit or loss and other comprehensive income in two statements has remained unchanged.	The Company intends to adopt the amendments in its financial statements for the annual period beginning on April 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Company does not expect the amendments to IAS 1 to have a material impact on the financial statements.
Amendments to IAS 32 and IFRS 7, *Offsetting Financial Assets and Liabilities* In December 2011, the IASB published *Offsetting Financial Assets and Financial Liabilities* and issued new disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The effective date for the amendments to IFRS 7 is annual periods beginning on or after January 1, 2013. These amendments are to be applied retrospectively.	The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is: • not contingent on a future event; and • enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are: • offset in the statement of financial position; or • subject to master netting arrangements or similar arrangements.	The Company intends to adopt the amendments to IFRS 7 in its financial statements for the annual period beginning on April 1, 2013, and the amendments to IAS 32 in its financial statements for the annual period beginning April 1, 2014. The Company does not expect the amendments to have a material impact on the financial statements.

Annual Improvements to IFRSs 2009-2011 Cycle – various standards
 	
In May 2012, the IASB published *Annual Improvements to IFRSs – 2009-2011 Cycle* as part of its annual improvements process to make non-urgent but necessary amendments to IFRS.
 	
These amendments are effective for annual periods beginning on or after Jan 1, 2013 with retrospective application.
	The new cycle of improvements contains amendments to the following four standards (excluding IFRS 1) with consequential amendments to other standards and interpretations.
	• IAS 1 *Presentation of Financial Statements*
	  o Comparative information beyond minimum requirements
	  o Presentation of the opening statement of financial position
	• IAS 16 *Property, Plant and Equipment*
	  o Classification of servicing equipment
	• IAS 32 *Financial Instruments: Presentation*
	  o Income tax consequences of distributions
	• IAS 34 *Interim Financial Reporting*
	  o Segment assets and liabilities
		The Company intends to adopt the amendments to the standards in its financial statements for the annual period beginning on April 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

Outstanding Share Data

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

As at August 7, 2012 (thousands)	
Common Shares	37,434
Options	2,679

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 August 7, 2012, CMG could grant up to 3,743,000 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 2012 in accordance with the COSO control framework. The evaluation confirmed the effectiveness of DC&P and ICFR at March 31, 2012. During our fiscal year 2013, we continue to monitor and review our controls and procedures.

During the three months ended June 30, 2012, 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

The beginning of fiscal 2013 showed continued growth in our annuity/maintenance revenue stream with increases experienced across all geographic regions. Over 70% of our software license revenue is derived from our annuity and maintenance contracts, and with a strong renewal rate, we expect to see continued growth in this revenue base.

CMG continues to focus its resources on the development, enhancement and deployment of simulation software tools relevant to the challenges and opportunities facing its diverse customer base. While oil prices continue to fluctuate, they remain at levels that should allow our customers to move forward on projects involving various types of unconventional reserves and advanced recovery processes. The greater challenges have been with natural gas prices, which have not fared as well, and petroleum producers are faced with uncertainty related to the fears of another worldwide economic recession, political unrest in several petroleum producing countries and environmental issues that have threatened to increase the costs of development and production.

CMG's joint project to develop the newest generation of dynamic reservoir modelling systems ("DRMS Project") continued to make progress in the first quarter of fiscal 2013. The problems encountered during the stabilization period, prior to the beta release, have been identified and are currently being resolved. It is still our expectation that a beta release can be completed later this year. Additionally, we are pleased to report that Rob Eastick has been promoted to the position of Vice President, DRMS and Visualization, and will be taking on the role of Project Manager for the DRMS Project. To assist Rob with his new duties, Peter Sammon has assumed the role of Senior Representative for CMG on the Joint Venture Senior Representative Team. With these changes and the tireless efforts of the entire DRMS team, we anticipate a limited commercial release of the software by the end of calendar 2013. CMG and its partners remain committed to funding the ongoing development and to the future success of the project.

We will continue to extend our reach globally and focus our efforts on increasing our license sales to both existing and new clients. The excellent reputation behind our Company and its product suite offering will continue to enable us to grow and sustain a healthy market share while generating solid software license revenue. With our strong working capital position, we are well positioned to continue to invest in all aspects of our business to continue to grow and diversify our revenue base and to ultimately return value to our shareholders in the form of regular quarterly dividend payments and growth in share value.

Kenneth M. Dedeluk

President and Chief Executive Officer

August 7, 2012

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian $)	**June 30, 2012**	March 31, 2012
Assets		
Current assets:		
Cash	**51,535**	55,374
Trade and other receivables	**10,933**	15,494
Prepaid expenses	**1,130**	1,195
	63,598	72,063
Property and equipment	**2,948**	2,829
Total assets	**66,546**	74,892
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade payables and accrued liabilities	**4,449**	5,358
Income taxes payable	**499**	1,404
Deferred revenue	**18,779**	21,693
	23,727	28,455
Deferred tax liability (note 7)	**145**	358
Total liabilities	**23,872**	28,813
Shareholders' equity:		
Share capital	**33,126**	31,751
Contributed surplus	**3,872**	3,535
Retained earnings	**5,676**	10,793
Total shareholders' equity	**42,674**	46,079
Total liabilities and shareholders' equity	**66,546**	74,892

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

For the three months ended June 30, UNAUDITED (thousands of Canadian $ except per share amounts)	**2012**	2011
Revenue (note 4)	**16,465**	15,939
Operating expenses		
Sales, marketing and professional services	**3,962**	3,125
Research and development (note 5)	**2,897**	2,495
General and administrative	**1,501**	1,227
	8,360	6,847
Operating profit	**8,105**	9,092
Finance income (note 6)	**472**	148
Profit before income and other taxes	**8,577**	9,240
Income and other taxes (note 7)	**2,487**	2,577
Net and total comprehensive income	**6,090**	6,663
Earnings Per Share		
Basic (note 8(e))	**0.16**	0.18
Diluted (note 8(e))	**0.16**	0.18

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

UNAUDITED (thousands of Canadian $)	Common Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance, April 1, 2011	24,801	2,655	8,314	35,770
Total comprehensive income for the period	-	-	6,663	6,663
Dividends paid	-	-	(7,519)	(7,519)
Shares issued for cash on exercise of stock options (note 8(b))	1,437	-	-	1,437
Stock-based compensation:				
Current period expense	-	410	-	410
Stock options exercised	256	(256)	-	-
Balance, June 30, 2011	26,494	2,809	7,458	36,761
Balance, April 1, 2012	**31,751**	**3,535**	**10,793**	**46,079**
Total comprehensive income for the period	-	-	**6,090**	**6,090**
Dividends paid	-	-	**(9,736)**	**(9,736)**
Shares issued for cash on exercise of stock options (note 8(b))	**1,224**	-	-	**1,224**
Common shares buy-back (notes 8(b) & (c))	**(80)**		**(1,471)**	**(1,551)**
Stock-based compensation:				
Current period expense	-	**568**	-	**568**
Stock options exercised	**231**	**(231)**	-	-
Balance, June 30, 2012	**33,126**	**3,872**	**5,676**	**42,674**

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

For the three months ended June 30, UNAUDITED (thousands of Canadian $)	**2012**	2011
Cash flows from operating activities		
Net income	**6,090**	6,663
Adjustments for:		
Depreciation	**318**	274
Income and other taxes (note 7)	**2,487**	2,577
Stock-based compensation (note 8(d))	**568**	410
Interest income (note 6)	**(145)**	(107)
	9,318	9,817
Changes in non-cash working capital:		
Trade and other receivables	**4,562**	(2,144)
Trade payables and accrued liabilities	**(909)**	(1,441)
Prepaid expenses	**65**	(59)
Deferred revenue	**(2,914)**	(1,429)
Cash generated from operating activities	**10,122**	4,744
Interest received	**144**	106
Income taxes paid	**(3,605)**	(2,010)
Net cash from operating activities	**6,661**	2,840
Cash flows from financing activities		
Proceeds from issue of common shares	**1,224**	1,437
Dividends paid	**(9,736)**	(7,519)
Common shares buy-back (note 8(c))	**(1,551)**	-
Net cash used in financing activities	**(10,063)**	(6,082)
Cash flows used in investing activities		
Property and equipment additions	**(437)**	(164)
Increase (decrease) in cash	**(3,839)**	(3,406)
Cash, beginning of period	**55,374**	41,753
Cash, end of period	**51,535**	38,347

See accompanying notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the three months ended June 30, 2012 and 2011 (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, 2012 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 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, 2012.

These condensed consolidated financial statements have been prepared on a going concern basis 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, 2012.

The unaudited condensed consolidated financial statements as at and for the three months ended June 30, 2012 were authorized for issuance by the Board of Directors on August 7, 2012.

(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, 2012.

3. Significant Accounting Policies:

The condensed consolidated financial statements should be read in conjunction with the Company's annual financial statements for the year ended March 31, 2012 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 first annual IFRS consolidated financial statements for the year ended March 31, 2012.

4. Revenue:

For the three months ended June 30, (thousands of $)	**2012**	2011
Software licenses	**15,249**	14,388
Professional services	**1,216**	1,551
	16,465	15,939

5. Research and Development Costs:

For the three months ended June 30, (thousands of $)	**2012**	2011
Research and development	**3,385**	2,799
Scientific research and experimental development ("SR&ED") investment tax credits	**(488)**	(304)
	2,897	2,495

6. Finance Income:

For the three months ended June 30, (thousands of $)	**2012**	2011
Interest income	**145**	107
Net foreign exchange gain	**327**	41
Finance income	**472**	148

7. Income and Other Taxes:

The major components of income tax expense are as follows:

For the three months ended June 30, (thousands of $)	**2012**	2011
Current income taxes	**2,412**	2,650
Deferred tax expense	**(213)**	(166)
Foreign withholding and other taxes	**288**	93
	2,487	2,577

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

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

For the three months ended June 30, (thousands of $, unless otherwise stated)	**2012**	2011
Combined statutory tax rate	**25.00%**	26.13%
Expected income tax	**2,144**	2,415
Non-deductible costs	**150**	112
Withholding taxes	**216**	60
Other	**(23)**	(10)
	2,487	2,577

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

(thousands of $)	**June 30, 2012**	March 31, 2012
Tax liability on SR&ED investment tax credits	**(78)**	(267)
Tax liability on property and equipment	**(67)**	(91)
Deferred tax liability	**(145)**	(358)

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

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, 2011	36,427
Issued for cash on exercise of stock options	274
Balance, June 30, 2011	36,701
Balance, April 1, 2012	**37,307**
Issued for cash on exercise of stock options	**175**
Common shares buy-back	**(91)**
Balance, June 30, 2012	**37,391**

Subsequent to June 30, 2012, 43,000 stock options were exercised for cash proceeds of $288,000.

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

(c) COMMON SHARES BUY-BACK:

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

On April 16, 2012, the Company announced a NCIB commencing on April 18, 2012 to purchase for cancellation up to 3,416,000 of its Common Shares. During the three months ended June 30, 2012, a total of 91,000 Common Shares were purchased at market price for a total cost of $1,551,000.

(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 7, 2011, which allows it to grant options to acquire Common Shares of up to 10% of the combined outstanding Common and Non-Voting Shares at the date of grant. Based upon this calculation, at June 30, 2012, the Company could grant up to 3,739,000 stock options. Pursuant to the stock option plan, the maximum term of an option granted cannot exceed five years from the date of grant. The outstanding stock options vest as to 50% after the first year anniversary, from date of grant, and then vest as to 25% of the total options granted after each of the second and third year anniversary dates.

The following table outlines changes in stock options:

(thousands except per share amounts)	**For the three months ended June 30, 2012**		For the year ended March 31, 2012	
	Options Granted	**Weighted Average Exercise Price ($/share)**	Options Granted	Weighted Average Exercise Price ($/share)
Outstanding at beginning of period	**2,903**	**9.85**	2,825	7.41
Granted	**5**	**17.90**	1,071	13.43
Exercised	**(176)**	**6.98**	(913)	6.43
Forfeited/cancelled	**(11)**	**12.24**	(80)	10.57
Outstanding at end of period	**2,721**	**10.04**	2,903	9.85
Options exercisable at end of period	**946**	**7.38**	1,120	7.31

The range of exercise prices of stock options outstanding and exercisable at June 30, 2012 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)
3.70 - 5.63	333	1.1	5.35	333	5.35
5.64 - 7.80	523	2.1	7.80	294	7.80
7.81 - 9.07	830	3.1	9.07	317	9.07
9.08 - 17.90	1,035	4.2	13.45	2	14.24
	2,721	3.1	10.04	946	7.38

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

	For the three months ended June 30, 2012	For the year ended March 31, 2012
Fair value at grant date ($/option)	**2.66 to 3.81**	1.23 to 3.42
Share price at grant date ($/share)	**17.90**	13.00 to 16.35
Risk-free interest rate (%)	**1.14 to 1.23**	0.99 to 2.06
Estimated hold period prior to exercise (years)	**3 to 4**	2 to 4
Volatility in the price of common shares (%)	**28 to 36**	24 to 37
Dividend yield per common share (%)	**3.57**	3.20 to 4.94

The Company recognized total stock-based compensation expense for the three months ended June 30, 2012 of $568,000 (2011 – $410,000).

(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:

For the three months ended June 30, (thousands except per share amounts)		**2012**			2011	
	Earnings ($)	**Weighted Average Shares Outstanding**	**Earnings Per Share ($/share)**	Earnings ($)	Weighted Average Shares Outstanding	Earnings Per Share ($/share)
Basic	**6,090**	**37,353**	**0.16**	6,663	36,532	0.18
Dilutive effect of stock options		**1,078**			1,066	
Diluted	**6,090**	**38,431**	**0.16**	6,663	37,598	0.18

9. Commitments:

(a) RESEARCH COMMITMENTS:

The Company is the operator of the DRMS research and development project (the “DRMS project”), a collaborative effort with its partners Shell International Exploration and Production BV (“Shell”) and Petroleo Brasileiro S.A. (“Petrobras”), to jointly develop the newest generation of reservoir and production system simulation software. The project has been underway since 2006 and, with the ongoing support of the participants, it is expected to continue until ultimate delivery of the software. The Company’s share of costs associated with the project is estimated to be $4.0 million ($1.9 million net of overhead recoveries) for fiscal 2013.

(b) LEASE COMMITMENTS:

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

Three months ended June 30, (thousands of $)	**2012**	2011
Less than one year	**1,504**	1,111
Between one and five years	**6,965**	3,932
	8,469	5,043

10. 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, 2012, US $165,000 (2011 – US $165,000) had been reserved on this line of credit for the letter of credit supporting a performance bond.

11. Segmented Information:

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

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

(thousands of $)	**Revenue**		**Property and equipment**	
	For the three months ended June 30,		As at June 30,	
	2012	2011	**2012**	2011
Canada	**6,118**	4,580	**2,801**	2,209
United States	**2,887**	2,555	**67**	91
South America	**3,951**	1,847	**58**	106
Eastern Hemisphere(1)	**3,509**	6,957	**22**	38
	16,465	15,939	**2,948**	2,444

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

In the three months ended June 30, 2012, the Company derived 12.4% (2011 – 21.6%) of its revenue from one customer.

12. Joint Venture:

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

For the three months ended June 30, 2012, CMG included $0.8 million (2011 - $0.8 million) 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 $0.5 million during the three months ended June 30, 2012 (2011 - $0.4 million).

13. Subsequent Events:

On August 7, 2012, the Board of Directors declared a cash dividend of $0.16 per share on its Common Shares, payable on September 15, 2012, to all shareholders of record at the close of business on September 7, 2012.

On August 7, 2012, the Board of Directors also approved the issuance of 995,000 options to purchase CMG's Common Shares in accordance with CMG's stock option plan.

CORPORATE INFORMATION

DIRECTORS

Kenneth M. Dedeluk

Christopher L. Fong [(2)]

Patrick R. Jamieson [(1)]

Peter H. Kinash [(2)]

Frank L. Meyer [(1)]
Chairman of the Board

Robert F. M. Smith [(3)]

John B. Zaozirny [(4)]

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

OFFICERS

Kenneth M. Dedeluk
President & CEO

Robert R. Eastick
Vice President,
DRMS & Visualization

Jim C. Erdle
Vice President,
USA & Latin America

John Kalman
Vice President,
Finance & CFO

Ronald D. Kutney
Vice President,
Canada & Eastern Hemisphere

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

Valiant Trust Company

STOCK EXCHANGE LISTING

Toronto Stock Exchange: **CMG**