

COMPUTER MODELLING GROUP ANNOUNCES SECOND QUARTER RESULTS

CALGARY, ALBERTA – (Marketwired – November 13, 2014) – Computer Modelling Group Ltd. (“CMG” or the “Company”) is very pleased to report our second quarter results for the three and six months ended September 30, 2014.

SECOND QUARTER HIGHLIGHTS

Three months ended September 30, (\$ thousands, except per share data)	2014	2013	\$ change	% change
Annuity/maintenance software licenses	15,331	13,153	2,178	17%
Perpetual software licenses	2,661	1,829	832	45%
Total revenue	19,731	17,184	2,547	15%
Operating profit	9,560	8,296	1,264	15%
Net income	7,473	5,608	1,865	33%
Earnings per share - basic	0.09	0.07	0.02	29%

Six months ended September 30, (\$ thousands, except per share data)	2014	2013	\$ change	% change
Annuity/maintenance software licenses	31,297	27,111	4,186	15%
Perpetual software licenses	4,093	4,160	(67)	-2%
Total revenue	39,283	35,300	3,983	11%
Operating profit	18,681	17,646	1,035	6%
Net income	13,717	12,689	1,028	8%
Earnings per share - basic	0.17	0.16	0.01	6%

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 November 12, 2014, should be read in conjunction with the unaudited condensed consolidated financial statements and related notes of the Company for the three and six months ended September 30, 2014 and the audited consolidated financial statements and MD&A for the years ended March 31, 2014 and 2013 contained in the 2014 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.

On May 21, 2014, the Board of Directors of the Company approved a two-for-one stock split of the Company’s issued and outstanding Common Shares. The Common Shares were traded on a “due bill” basis from the opening on June 23, 2014 to July 2, 2014, inclusively. The stock split record date was June 25, 2014. Accordingly, all comparative number of shares and per share amounts have been retroactively adjusted to reflect the two-for-one split.

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 2014 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 more than 50 countries. The Company also provides professional services consisting of highly specialized support, consulting, training, and contract research activities. CMG has sales and technical support services based in Calgary, Houston, London, Caracas, Dubai, 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 2013 ⁽¹⁾				Fiscal 2014 ⁽²⁾		Fiscal 2015 ⁽³⁾	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Annuity/maintenance licenses	14,004	15,359	13,958	13,153	14,278	15,750	15,966	15,331
Perpetual licenses	1,365	2,300	2,331	1,829	2,942	1,972	1,432	2,661
Software licenses	15,369	17,659	16,289	14,982	17,220	17,722	17,398	17,992
Professional services	1,433	1,620	1,827	2,202	2,007	2,254	2,154	1,739
Total revenue	16,802	19,279	18,116	17,184	19,227	19,976	19,552	19,731
Operating profit	8,276	9,877	9,350	8,296	9,575	9,561	9,121	9,560
Operating profit (%)	49	51	52	48	50	48	47	48
EBITDA ⁽⁴⁾	8,687	10,294	9,725	8,675	9,972	10,001	9,488	9,949
Profit before income and other taxes	8,556	10,314	9,999	8,133	10,249	10,761	8,733	10,411
Income and other taxes	2,437	3,061	2,918	2,525	3,044	3,025	2,489	2,938
Net income for the period	6,119	7,253	7,081	5,608	7,205	7,736	6,244	7,473
Cash dividends declared and paid	6,050	6,099	8,841	6,994	7,020	7,449	7,872	7,880
Per share amounts - (\$/share)								
Earnings per share - basic	0.08	0.10	0.09	0.07	0.09	0.10	0.08	0.09
Earnings per share - diluted	0.08	0.09	0.09	0.07	0.09	0.10	0.08	0.09
Cash dividends declared and paid	0.08	0.08	0.115	0.09	0.09	0.095	0.10	0.10

(1) Q3 and Q4 of fiscal 2013 include \$1.8 million and \$2.6 million, respectively, in revenue that pertains to usage of CMG’s products in prior quarters.

(2) 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.

(3) Q1 and Q2 of fiscal 2015 include \$1.5 million and \$0.2 million, respectively, in revenue that pertains to usage of CMG’s products in prior quarters.

(4) EBITDA is defined as net income before adjusting for depreciation expense, finance income, finance costs, and income and other taxes. See “Non-IFRS Financial Measures”.

Highlights

During the six months ended September 30, 2014, as compared to the same period of the prior fiscal year, CMG:

- Increased annuity/maintenance revenue by 15%
- Increased total revenue by 11%
- Increased spending on research and development by 21%
- Increased regular dividends per share declared and paid by 11%
- Realized basic earnings per share of \$0.17, representing a 6% increase
- Purchased 510,000 Common Shares for cancellation under the Normal Course Issuer Bid ("NCIB")

Revenue

Three months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Software licenses	17,992	14,982	3,010	20%
Professional services	1,739	2,202	(463)	-21%
Total revenue	19,731	17,184	2,547	15%
Software license revenue - % of total revenue	91%	87%		
Professional services - % of total revenue	9%	13%		

Six months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Software licenses	35,390	31,271	4,119	13%
Professional services	3,893	4,029	(136)	-3%
Total revenue	39,283	35,300	3,983	11%
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 15% for the three months ended September 30, 2014, compared to the same period of the previous fiscal year, due to an increase in software license revenue partially offset by a decrease in fees for professional services.

Total revenue increased by 11% for the six months ended September 30, 2014, compared to the same period of the previous fiscal year, 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 September 30, (\$ thousands)	2014	2013	\$ change	% change
Annuity/maintenance licenses	15,331	13,153	2,178	17%
Perpetual licenses	2,661	1,829	832	45%
Total software license revenue	17,992	14,982	3,010	20%
Annuity/maintenance as a % of total software license revenue	85%	88%		
Perpetual as a % of total software license revenue	15%	12%		

Six months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Annuity/maintenance licenses	31,297	27,111	4,186	15%
Perpetual licenses	4,093	4,160	(67)	-2%
Total software license revenue	35,390	31,271	4,119	13%
Annuity/maintenance as a % of total software license revenue	88%	87%		
Perpetual as a % of total software license revenue	12%	13%		

Total software license revenue grew by 20% in the three months ended September 30, 2014, compared to the same period of the previous fiscal year, due to increases in both annuity/maintenance revenue and perpetual license sales.

Total software license revenue grew by 13% in the six months ended September 30, 2014, compared to the same period of the previous fiscal year, mainly due to an increase in annuity/maintenance revenue.

CMG's annuity/maintenance license revenue increased by 17% and 15% during the three and six months ended September 30, 2014, respectively, compared to the same periods of the previous fiscal year. This increase was driven by sales to new and existing customers as well as an increase in maintenance revenue tied to perpetual sales. In addition, annuity/maintenance license revenue for the three and six months ended September 30, 2014, compared to the same periods of the previous fiscal year, was positively affected by the weakening of the Canadian dollar.

All of our regions experienced growth in annuity/maintenance revenue during the three and six months ended September 30, 2014, compared to the same periods of the previous fiscal year, with the most significant dollar growth being generated from our Canadian and US markets.

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. The amounts received from this particular customer and recognized during the three and six months ended September 30, 2014 were comparable to the amounts received and recognized in the same periods of the previous fiscal year. Given our long-term relationship with this customer, and their on-going use of our licenses, we expect to continue to receive payments from them; 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.

Perpetual license sales increased by 45% for the three months ended September 30, 2014, compared to the same period of the previous fiscal year, mainly due to growth in perpetual sales in South America partially offset by a decrease in the Eastern Hemisphere.

Perpetual license sales decreased by 2% for the six months ended September 30, 2014, compared to the same period of the previous fiscal year, due to fewer perpetual sales being realized in the Eastern Hemisphere and US partially offset by increases in South America and Canada.

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

We can observe from the tables below that the exchange rates between the US and Canadian dollars during the three and six months ended September 30, 2014, compared to the same periods of the previous fiscal year, had a positive impact on our reported license revenue.

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

Three months ended September 30, (\$ thousands)		2014	2013	\$ change	% change
US dollar annuity/maintenance license sales	US\$	10,153	8,767	1,386	16%
Weighted average conversion rate		1.074	1.012		
Canadian dollar equivalent	CDN\$	10,901	8,874	2,027	23%
US dollar perpetual license sales	US\$	2,359	1,750	609	35%
Weighted average conversion rate		1.084	1.045		
Canadian dollar equivalent	CDN\$	2,557	1,829	728	40%
Six months ended September 30, (\$ thousands)		2014	2013	\$ change	% change
US dollar annuity/maintenance license sales	US\$	21,103	18,108	2,995	17%
Weighted average conversion rate		1.074	1.010		
Canadian dollar equivalent	CDN\$	22,659	18,295	4,364	24%
US dollar perpetual license sales	US\$	3,314	3,761	(447)	-12%
Weighted average conversion rate		1.085	1.029		
Canadian dollar equivalent	CDN\$	3,596	3,869	(273)	-7%

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

Three months ended September 30, (\$ thousands)	Q2 2014 Balance	Incremental License Growth	Foreign Exchange Impact	Q2 2015 Balance
Annuity/maintenance license sales	13,153	1,554	624	15,331
Perpetual license sales	1,829	741	91	2,661
Total software license revenue	14,982	2,295	715	17,992
Six months ended September 30, (\$ thousands)	Q2 2014 Balance	Incremental License Growth	Foreign Exchange Impact	Q2 2015 Balance
Annuity/maintenance license sales	27,111	2,848	1,338	31,297
Perpetual license sales	4,160	(229)	162	4,093
Total software license revenue	31,271	2,619	1,500	35,390

REVENUE BY GEOGRAPHIC SEGMENT

Three months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Annuity/maintenance revenue				
Canada	6,405	5,452	953	17%
United States	3,846	2,957	889	30%
South America	1,721	1,566	155	10%
Eastern Hemisphere ⁽¹⁾	3,359	3,178	181	6%
	15,331	13,153	2,178	17%
Perpetual revenue				
Canada	104	-	104	100%
United States	174	-	174	100%
South America	1,419	414	1,005	243%
Eastern Hemisphere	964	1,415	(451)	-32%
	2,661	1,829	832	45%
Total software license revenue				
Canada	6,509	5,452	1,057	19%
United States	4,020	2,957	1,063	36%
South America	3,140	1,980	1,160	59%
Eastern Hemisphere	4,323	4,593	(270)	-6%
	17,992	14,982	3,010	20%
Six months ended September 30, (\$ thousands)				
Annuity/maintenance revenue				
Canada	12,606	10,882	1,724	16%
United States	7,501	6,121	1,380	23%
South America	4,457	3,898	559	14%
Eastern Hemisphere ⁽¹⁾	6,733	6,210	523	8%
	31,297	27,111	4,186	15%
Perpetual revenue				
Canada	497	291	206	71%
United States	174	427	(253)	-59%
South America	2,269	490	1,779	363%
Eastern Hemisphere	1,153	2,952	(1,799)	-61%
	4,093	4,160	(67)	-2%
Total software license revenue				
Canada	13,103	11,173	1,930	17%
United States	7,675	6,548	1,127	17%
South America	6,726	4,388	2,338	53%
Eastern Hemisphere	7,886	9,162	(1,276)	-14%
	35,390	31,271	4,119	13%

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

During the three and six months ended September 30, 2014, on a geographic basis, total software license sales increased across all regions with the exception of the Eastern Hemisphere which experienced overall decreases of 6% and 14%, respectively, compared to the same periods of the previous fiscal year, mainly due to lower perpetual sales.

The Canadian market (representing 37% of year-to-date total software revenue) experienced a double-digit growth rate in annuity/maintenance license sales during the three and six months ended September 30, 2014, compared to the same periods of the previous fiscal year. This increase was mainly supported by sales to existing customers, but we also added new

customers during the periods. Perpetual sales also increased during the three and six months ended September 30, 2014, compared to the same periods of the previous fiscal year.

The US market (representing 22% of year-to-date total software revenue) also grew annuity/maintenance license sales during the three and six months ended September 30, 2014, compared to the same periods of the previous fiscal year, driven by sales to existing and new customers. While perpetual revenue grew during the three months ended September 30, 2014, it decreased during the six months ended September 30, 2014, as compared to the same periods of the previous fiscal year. We continue to experience successive increases in the annuity/maintenance license sales in the US as evidenced by the quarterly year-over-year increases of 16%, 21%, 16%, and 16% recorded during Q2 2014, Q3 2014, Q4 2014, and Q1 2015, respectively. This double-digit growth trend has continued into the second quarter of the current fiscal year with the recorded increase of 30%.

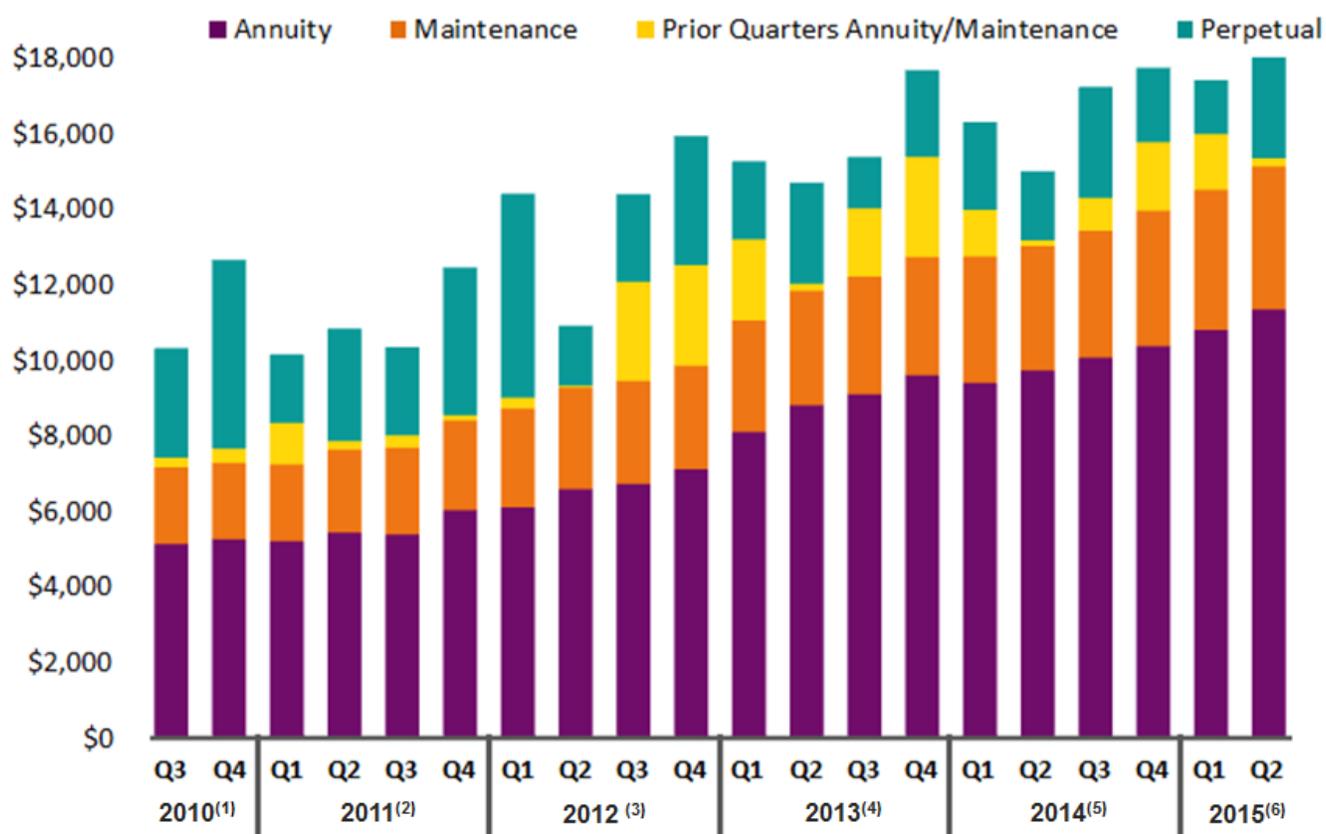
South America (representing 19% of year-to-date total software revenue) experienced growth of 10% and 14%, respectively, in annuity/maintenance license sales during the three and six months ended September 30, 2014, compared to the same periods of the previous fiscal year, mainly due to sales to existing customers. 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). The amounts received from this particular customer and recognized during the three and six months ended September 30, 2014 were comparable to the amounts received and recognized in the same periods of the previous fiscal year. The South American region experienced an increase in perpetual license sales during the three and six months ended September 30, 2014, compared to the same periods of the previous fiscal year.

The Eastern Hemisphere (representing 22% of the year-to-date total software revenue) grew annuity/maintenance license sales by 6% and 8%, respectively, during the three and six months ended September 30, 2014, compared to the same periods of the previous fiscal year, mainly due to sales to existing customers. Fewer perpetual license sales were realized in the three and six months ended September 30, 2014, compared to the same periods 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 continues to be strong and is growing across all regions. 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) Q3 and Q4 of fiscal 2010 include \$0.3 million and \$0.4 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.
(2) 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.
(3) 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.
(4) 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.
(5) 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.
(6) Q1 and Q2 of fiscal 2015 include \$1.5 million and \$0.2 million, respectively, in revenue that pertains to usage of CMG's products in prior quarters.

DEFERRED REVENUE

	Fiscal 2015	Fiscal 2014	Fiscal 2013	\$ change	% change
(\$ thousands)					
Deferred revenue at:					
Q1 (June 30)	26,628	22,014		4,614	21%
Q2 (September 30)	22,928	19,346		3,582	19%
Q3 (December 31)		18,069	15,510	2,559	16%
Q4 (March 31)		29,531	25,289	4,242	17%

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

Deferred revenue as at Q2 of fiscal 2015 increased by 19%, compared to Q2 of fiscal 2014, due to both the renewal of existing and signing of new annuity and maintenance contracts in the quarter. As expected, the balance has decreased from Q4 of

fiscal 2014 and Q1 of fiscal 2015 to Q2 of fiscal 2015 due to the timing of renewals of annuity and maintenance contracts that are skewed to the beginning of the calendar year (which corresponds with Q4 of our fiscal year). 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).

PROFESSIONAL SERVICES REVENUE

CMG recorded professional services revenue of \$1.7 million for the three months ended September 30, 2014, representing a decrease of \$0.5 million, compared to the same period of the previous fiscal year, due to a decrease in project activities by our customers. Professional services for the six months ended September 30, 2014 amounted to \$3.9 million, representing a decrease of \$0.1 million, compared to 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 September 30, (\$ thousands)	2014	2013	\$ change	% change
Sales, marketing and professional services	4,373	3,837	536	14%
Research and development	4,117	3,418	699	20%
General and administrative	1,681	1,633	48	3%
Total operating expenses	10,171	8,888	1,283	14%
Direct employee costs ⁽¹⁾	8,052	7,188	864	12%
Other corporate costs	2,119	1,700	419	25%
	10,171	8,888	1,283	14%
Six months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Sales, marketing and professional services	8,864	7,486	1,378	18%
Research and development	8,327	6,890	1,437	21%
General and administrative	3,411	3,278	133	4%
Total operating expenses	20,602	17,654	2,948	17%
Direct employee costs ⁽¹⁾	16,315	14,308	2,007	14%
Other corporate costs	4,287	3,346	941	28%
	20,602	17,654	2,948	17%

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

CMG's total operating expenses increased by 14% and 17% for the three and six months ended September 30, 2014, respectively, compared to the same periods of the previous fiscal year, due to increases in both direct employee costs and other corporate costs.

DIRECT EMPLOYEE COSTS

As a technology company, CMG's largest area of expenditure is its people. Approximately 79% of the total operating expenses in the six months ended September 30, 2014 related to direct employee costs, which is consistent with 81% recorded in the comparative period of the previous fiscal year. Staffing levels for the current fiscal year grew in comparison to the previous fiscal year to support our continued growth. At September 30, 2014, CMG's staff complement was 204 employees and consultants, up from 185 employees as at September 30, 2013. Direct employee costs increased during the three and six months ended September 30, 2014, compared to the same periods of the previous fiscal year, due to staff additions, increased levels of compensation, and related benefits.

OTHER CORPORATE COSTS

Other corporate costs increased by 25% for the three months ended September 30, 2014, compared to the same period of the previous fiscal year, mainly attributable to a decrease in research and experimental development ("SR&ED") credits and an increase in other office costs.

Other corporate costs increased by 28% for the six months ended September 30, 2014, compared to the same period of the previous fiscal year, mainly attributable to the inclusion of the costs associated with CMG's biennial technical symposium which took place during the first quarter of the current fiscal year, a decrease in SR&ED credits and increases in third party software and other office costs.

RESEARCH AND DEVELOPMENT

Three months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Research and development (gross)	4,404	3,935	469	12%
SR&ED credits	(287)	(517)	230	-44%
Research and development	4,117	3,418	699	20%
Research and development as a % of total revenue	21%	20%		

Six months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Research and development (gross)	8,970	7,955	1,015	13%
SR&ED credits	(643)	(1,065)	422	-40%
Research and development	8,327	6,890	1,437	21%
Research and development as a % of total revenue	21%	20%		

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

The above research and development costs include CMG's share of joint research and development costs associated with the DRMS project of \$1.1 million and \$2.3 million for the three and six months ended September 30, 2014 (2013 - \$1.0 million and \$2.1 million). See discussion under "Commitments, Off Balance Sheet Items and Transactions with Related Parties."

The increases of 12% and 13% in our gross spending on research and development for the three and six months ended September 30, 2014, respectively, compared to the same periods of the previous fiscal year, demonstrate 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 20% and 21%, respectively, during the three and six months ended September 30, 2014, compared to the same periods of the previous fiscal year, due to increases in employee compensation costs and costs associated with computing resources and a decrease in SR&ED credits.

SR&ED credits decreased for the three and six months ended September 30, 2014, compared to the same periods of the previous fiscal year, due to both a decrease in the Federal SR&ED input tax credit rate (from 20% to 15% effective January 1, 2014) and a decrease in SR&ED eligible expenditures associated with the DRMS project.

DEPRECIATION

Three months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	121	103	18	17%
Research and development	216	226	(10)	-4%
General and administrative	52	50	2	4%
Total depreciation	389	379	10	3%

Six months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Depreciation of property and equipment, allocated to:				
Sales, marketing and professional services	230	203	27	13%
Research and development	422	452	(30)	-7%
General and administrative	104	99	5	5%
Total depreciation	756	754	2	0%

Depreciation in the three and six months ended September 30, 2014 was relatively flat as compared to the same periods in the previous fiscal year.

Finance Income and Finance Costs

Three months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Interest income	184	162	22	14%
Net foreign exchange gain	667	-	667	100%
Total finance income	851	162	689	425%
Net foreign exchange loss	-	(325)	325	-100%
Total finance costs	-	(325)	325	-100%

Six months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Interest income	377	319	58	18%
Net foreign exchange gain	86	167	(81)	-49%
Total finance income	463	486	(23)	-5%

Interest income increased in the three and six months ended September 30, 2014, compared to the same periods of the previous 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 72% (2013 – 71%) of CMG's revenue for the six months ended September 30, 2014 is denominated in US dollars, whereas only approximately 24% (2013 – 25%) 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 and September 30, 2014, 2013 and 2012 and the average exchange rates used to translate income statement items during the six months ended September 30, 2014, 2013 and 2012:

CDN\$ to US\$	At June 30	At September 30	Six month trailing average
2012	0.9813	1.0166	0.9977
2013	0.9513	0.9723	0.9670
2014	0.9367	0.8922	0.9166

CMG recorded a net foreign exchange gain of \$0.7 million for the three months ended September 30, 2014, compared to a net foreign exchange loss of \$0.3 million recorded in the same period of the previous fiscal year, due to a weakening of the Canadian dollar during the quarter which contributed positively to the valuation of our US-denominated working capital.

CMG recorded a net foreign exchange gain of \$0.1 million for the six months ended September 30, 2014, compared to a net foreign exchange gain of \$0.2 million recorded in the same period of the previous fiscal year, as the net foreign exchange gain recorded in the three months ended September 30, 2014 was partially offset by the \$0.6 million net foreign exchange loss recorded in the three months ended June 30, 2014.

Income and Other Taxes

CMG's effective tax rate for the six months ended September 30, 2014 is reflected as 28.3% (2013 – 30.0%), whereas the prevailing Canadian statutory tax rate is now 25.0%. 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 September 30, (\$ thousands, except per share amounts)	2014	2013	\$ change	% change
Total revenue	19,731	17,184	2,547	15%
Operating expenses	(10,171)	(8,888)	(1,283)	14%
Operating profit	9,560	8,296	1,264	15%
Operating profit as a % of total revenue	48%	48%		
Net income for the period	7,473	5,608	1,865	33%
Net income for the period as a % of total revenue	38%	33%		
Basic earnings per share (\$/share)	0.09	0.07	0.02	29%

Six months ended September 30, (\$ thousands, except per share amounts)	2014	2013	\$ change	% change
Total revenue	39,283	35,300	3,983	11%
Operating expenses	(20,602)	(17,654)	(2,948)	17%
Operating profit	18,681	17,646	1,035	6%
Operating profit as a % of total revenue	48%	50%		
Net income for the period	13,717	12,689	1,028	8%
Net income for the period as a % of total revenue	35%	36%		
Basic earnings per share (\$/share)	0.17	0.16	0.01	6%

Operating profit as a percentage of total revenue for the three months ended September 30, 2014 remained flat at 48%, compared to same period of the previous fiscal year.

Operating profit as a percentage of total revenue for the six months ended September 30, 2014 was at 48% compared to 50% recorded in the same period of the previous fiscal year. While our total revenue grew by 11% for the six months ended September 30, 2014, as compared to the same period of the previous fiscal year, our operating expenses grew by 17% affecting our operating profit as a percentage of total revenue.

Net income for the period as a percentage of revenue increased to 38% for the three months ended September 30, 2014, compared to 33% for the same period of the previous fiscal year, mainly as a result of recording a net foreign exchange gain of \$0.7 million during the three months ended September 30, 2014, compared to recording a net foreign exchange loss of \$0.3 million for the same period of the previous fiscal year.

Net income for the period as a percentage of revenue decreased to 35% for the six months ended September 30, 2014, compared to 36% for 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 September 30, (\$ thousands)	2014	2013	\$ change	% change
Net income for the period	7,473	5,608	1,865	33%
Add (deduct):				
Depreciation	389	379	10	3%
Finance income	(851)	(162)	(689)	425%
Finance costs	-	325	(325)	-100%
Income and other taxes	2,938	2,525	413	16%
EBITDA	9,949	8,675	1,274	15%
EBITDA as a % of total revenue	50%	50%		

Six months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Net income for the period	13,717	12,689	1,028	8%
Add (deduct):				
Depreciation	756	754	2	0%
Finance income	(463)	(486)	23	-5%
Income and other taxes	5,427	5,443	(16)	0%
EBITDA	19,437	18,400	1,037	6%
EBITDA as a % of total revenue	49%	52%		

EBITDA increased by 15% and 6% for the three and six months ended September 30, 2014, compared to the same periods of the previous fiscal year.

EBITDA as a percentage of total revenue was consistent at 50% for the three months ended September 30, 2014, as compared to the same period of the previous fiscal year.

EBITDA as a percentage of total revenue for the six months ended September 30, 2014 decreased to 49% as compared to 52% recorded in the same period of the previous fiscal year. The inclusion of the costs associated with CMG's biennial technical symposium (which took place during the first quarter of the current fiscal year) and a decrease in SR&ED credits impacted EBITDA as a percentage of total revenue.

Liquidity and Capital Resources

Three months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Cash, beginning of period	73,177	63,112	10,065	16%
Cash flow from (used in):				
Operating activities	4,647	2,903	1,744	60%
Financing activities	(11,769)	(2,242)	(9,527)	425%
Investing activities	(653)	(28)	(625)	2232%
Cash, end of period	65,402	63,745	1,657	3%
Six months ended September 30, (\$ thousands)	2014	2013	\$ change	% change
Cash, beginning of period	72,410	59,419	12,991	22%
Cash flow from (used in):				
Operating activities	11,824	12,740	(916)	-7%
Financing activities	(17,952)	(8,161)	(9,791)	120%
Investing activities	(880)	(253)	(627)	248%
Cash, end of period	65,402	63,745	1,657	3%

OPERATING ACTIVITIES

Cash flow generated from operating activities increased by \$1.7 million in the three months ended September 30, 2014, compared to the same period of the previous fiscal year, mainly due to an increase in net income and the positive impact of 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.

Cash flow generated from operating activities decreased by \$0.9 million in the six months ended September 30, 2014, compared to the same period of the previous fiscal year, mainly due to the negative effects of the timing difference of when

income taxes are recorded and paid, the timing difference of when sales are made and when the resulting receivables are collected and the change in the deferred revenue balance partially offset by the increase in net income and the positive effect of the timing difference of when trade payables and accrued liabilities are recorded and paid.

FINANCING ACTIVITIES

Cash used in financing activities during the three months ended September 30, 2014 increased by \$9.5 million, compared to the same period of the previous fiscal year, due to buying back Common Shares, receiving lower proceeds from the issuance of Common Shares and paying larger dividends.

Cash used in financing activities during the six months ended September 30, 2014 increased by \$9.8 million, compared to the same period of the previous fiscal year, mainly due to buying back Common Shares and receiving lower proceeds from the issuance of Common Shares.

During the six months ended September 30, 2014, CMG employees and directors exercised options to purchase 673,000 Common Shares, which resulted in cash proceeds of \$4.1 million (2013 – 1,510,000 options exercised to purchase Common Shares which resulted in cash proceeds of \$7.7 million).

In the six months ended September 30, 2014, CMG paid \$15.8 million in dividends, representing the following quarterly dividends:

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

In the six months ended September 30, 2013, CMG paid \$15.8 million in dividends, representing the following quarterly dividends:

(\$ per share)	Q1	Q2
Dividends declared and paid	0.090	0.090
Special dividend declared and paid	0.025	-
Total dividends declared and paid	0.115	0.090

On November 12, 2014, CMG announced the payment of a quarterly dividend of \$0.10 per share on CMG's Common Shares. The dividend will be paid on December 15, 2014 to shareholders of record at the close of business on December 5, 2014.

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 April 29, 2013, the Company announced a NCIB commencing on May 1, 2013 to purchase for cancellation up to 7,076,000 of its Common Shares. This NCIB finished on April 30, 2014 and no Common Shares were purchased.

On May 5, 2014, the Company announced a NCIB commencing on May 5, 2014 to purchase for cancellation up to 7,440,000 of its Common Shares. During the six months ended September 30, 2014, 510,000 Common Shares were purchased at market price for a total cost of \$6,264,000.

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 six months ended September 30, 2014, CMG expended \$0.9 million on property and equipment additions, primarily composed of computing equipment and leasehold improvements. CMG has a capital budget of \$2.3 million for fiscal 2015.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2014, CMG has \$65.4 million in cash, no debt, and has access to just over \$0.8 million under a line of credit with its principal banker.

During the six months ended September 30, 2014, 11,793,000 shares of CMG's public float were traded on the TSX. As at September 30, 2014, CMG's market capitalization based upon its September 30, 2014 closing price of \$11.64 was \$914.7 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 \$5.9 million (\$3.1 million net of overhead recoveries) for fiscal 2015. 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: 2015 – \$1.2 million; 2016 - \$2.4 million; 2017 – \$1.3 million; 2018 and 2019 – \$0.3 million per year; thereafter - \$1.2 million.

The leases for our Calgary offices expire in fiscal 2017 and we are currently in the process of negotiating the lease of new premises.

Business Risks and Critical Accounting Estimates

These remain unchanged from the factors detailed in CMG's 2014 Annual Report.

Changes in Accounting Policies

Except as disclosed below, the accounting policies, presentation and methods of computation remain unchanged from those detailed in CMG's 2014 Annual Report. The following amendments to standards have been adopted with an initial application date of April 1, 2014:

- *Amendments to IAS 32 Offsetting Financial Assets and Liabilities*
Clarify when an entity has a legally enforceable right to set-off and net versus gross settlement mechanisms. The adoption of the amendments did not have a material impact on the condensed consolidated financial statements.
- *Amendments to IAS 36 Impairment of Assets*
Clarify IASB's original intention to require the disclosure of the recoverable amount of impaired assets as well as additional disclosures about the measurement of the recoverable amount of impaired assets. The adoption of the amendments did not have a material impact on the condensed consolidated financial statements.

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
<p>IFRS 9, <i>Financial Instruments</i></p> <p>In July 2014, the IASB issued the complete version of IFRS 9 <i>Financial Instruments</i> (2014). In November 2009 the IASB issued the first version of IFRS 9 <i>Financial Instruments</i> (IFRS 9 (2009)) and subsequently issued various amendments in October 2010 (IFRS 9 (2010)) and November 2013 (IFRS 9 (2013)).</p> <p>The mandatory effective date for 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 restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.</p>	<p>IFRS 9 (2014) incorporates changes from the IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.</p> <p>IFRS 9 (2010) introduces additional changes relating to financial liabilities.</p> <p>IFRS 9 (2013) includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.</p> <p>Special transitional requirements have been set for the application of the new general hedging model.</p> <p>IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. The final standard also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment, and new general hedge accounting requirements.</p>	<p>The Company intends to early adopt IFRS 9 (2014) in its financial statements for the annual period beginning on April 1, 2015.</p> <p>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.</p>
<p>IFRS 15, <i>Revenue from Contracts with Customers</i></p> <p>In May 2014 the IASB issued IFRS 15 <i>Revenue from Contracts with Customers</i>. The new standard is effective for fiscal years beginning on or after January 1, 2017 and is available for early adoption.</p> <p>IFRS 15 will replace IAS 11 <i>Construction Contracts</i>, IAS 18 <i>Revenue</i>, IFRIC 13 <i>Customer Loyalty Programmes</i>, IFRIC 15 <i>Agreements for the Construction of Real Estate</i>, IFRIC 18 <i>Transfer of Assets from Customers</i>, and SIC 31 <i>Revenue – Barter Transactions Involving Advertising Services</i>.</p>	<p>IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.</p> <p>The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.</p>	<p>The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning April 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.</p>

Outstanding Share Data

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

As at November 12, 2014

(thousands)

Common Shares	78,601
Options	7,206

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 November 12, 2014, CMG could grant up to 7,860,000 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 2014 in accordance with the COSO control framework (1992). The evaluation confirmed the effectiveness of DC&P and ICFR at March 31, 2014. During our fiscal year 2015, we continue to monitor and review our controls and procedures.

During the six months ended September 30, 2014, 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

We experienced another quarter of solid growth in our annuity and maintenance revenue stream which increased by 17% during the current quarter and by 15% year-to-date, as compared to the same periods of the previous fiscal year. Annuity and maintenance revenue, representing our recurring revenue stream, grew across all of the regions with the North American market being the main contributor to our growth profile. We continued to grow our revenue as a result of increased usage of our products within our existing customers, but we also continue to add new accounts to our customer base. Our deferred revenue balance increased by 19% in the current quarter, compared to the same period of the previous fiscal year, which further supports the growth in our recurring revenue. More than 80% 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.

Continued weakening of the Canadian dollar has had a positive effect on our revenue balance given that over 70% of our revenue is denominated in US dollars. We still experienced double-digit growth in our annuity and maintenance base, regardless of the positive foreign exchange effect.

With the growth in unconventional hydrocarbon and enhanced oil recovery (“EOR”) projects around the globe, we are seeing an increase in the use of reservoir simulation software by reservoir engineers. This growth in simulation use has been reflected in the number and types of projects being simulated and the amount of simulation done on each project. The North American market continues to see an increased focus on the development of unconventional gas plays, consisting of shale gas and tight gas reservoirs, with emphasis on liquids-rich areas. These types of reservoirs use complex recovery processes that increase the need for simulation. In the Middle East region we are seeing an increased focus on development of unconventional oil and gas resources and initiation of challenging hydrocarbon projects, which presents new opportunities for the use of our software.

In October 2014, during the Annual Technical Conference and Exhibition held by the Society of Petroleum Engineers in Amsterdam, Netherlands, we announced the naming of our newest generation of dynamic reservoir modelling system, previously referred to as the “DRMS project,” to CoFlow, which is an on-going development project with our partners, Shell and Petrobras. 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. We previously announced that the most recent version of the software, referred to as R9, was released to our partners during the first quarter of calendar 2014, for the purposes of testing it on selected assets. This release achieved its target of successfully simulating a complex integrated asset model. The next version, referred to as R10, is scheduled for release in the second half of calendar 2015, for the application on additional target assets selected by our partners. CMG and its partners remain committed to funding the ongoing development and to the future success of the project, which continues to be led by Rob Eastick, Vice President, CoFlow.

During the current quarter, we purchased 510,000 Common Shares for \$6.3 million under our NCIB given our strong liquidity and our belief that CMG's Common Shares were not trading in price ranges that reflected their underlying values. Using CMG's available capital for the purchase of Common Shares demonstrates our commitment to return value to our shareholders by reducing the number of Common Shares outstanding. We also increased our regular quarterly dividends declared and paid by 11% during the current quarter, as compared to the same period of the previous fiscal year.

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 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
November 12, 2014

Condensed Consolidated Statements of Financial Position

UNAUDITED (thousands of Canadian \$)

September 30, 2014 March 31, 2014

Assets

Current assets:

Cash	65,402	72,410
Trade and other receivables	19,491	24,025
Prepaid expenses	1,260	1,153
Prepaid income taxes (note 7)	192	128

Property and equipment	86,345	97,716
	2,676	2,552

Total assets	89,021	100,268
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Liabilities and Shareholders' Equity

Current liabilities:

Trade payables and accrued liabilities	4,542	5,947
Income taxes payable (note 7)	720	1,287
Deferred revenue	22,928	29,531

Deferred tax liability (note 7)	28,190	36,765
	42	335

Total liabilities	28,232	37,100
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Shareholders' equity:

Share capital	58,187	53,750
Contributed surplus	6,969	5,853
Retained earnings (deficit)	(4,367)	3,565

Total shareholders' equity	60,789	63,168
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Total liabilities and shareholders' equity	89,021	100,268
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Subsequent events (note 14)

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Operations and Comprehensive Income

	Three months ended September 30		Six months ended September 30	
	2014	2013	2014	2013
UNAUDITED (thousands of Canadian \$ except per share amounts)				
Revenue (note 4)	19,731	17,184	39,283	35,300
Operating expenses				
Sales, marketing and professional services	4,373	3,837	8,864	7,486
Research and development (note 5)	4,117	3,418	8,327	6,890
General and administrative	1,681	1,633	3,411	3,278
	10,171	8,888	20,602	17,654
Operating profit	9,560	8,296	18,681	17,646
Finance income (note 6)	851	162	463	486
Finance costs (note 6)	-	(325)	-	-
Profit before income and other taxes	10,411	8,133	19,144	18,132
Income and other taxes (note 7)	2,938	2,525	5,427	5,443
Net and total comprehensive income	7,473	5,608	13,717	12,689
Earnings Per Share				
Basic (note 8(e))	0.09	0.07	0.17	0.16
Diluted (note 8(e))	0.09	0.07	0.17	0.16

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, 2013	40,498	4,673	6,239	51,410
Total comprehensive income for the period	-	-	12,689	12,689
Dividends paid	-	-	(15,835)	(15,835)
Shares issued for cash on exercise of stock options (note 8(b))	7,674	-	-	7,674
Stock-based compensation:				
Current period expense	-	1,303	-	1,303
Stock options exercised (note 8(b))	1,348	(1,348)	-	-
Balance, September 30, 2013	49,520	4,628	3,093	57,241
Balance, April 1, 2014	53,750	5,853	3,565	63,168
Total comprehensive income for the period	-	-	13,717	13,717
Dividends paid	-	-	(15,752)	(15,752)
Shares issued for cash on exercise of stock options (note 8(b))	4,064	-	-	4,064
Common shares buy-back (notes 8(b) & (c))	(367)	-	(5,897)	(6,264)
Stock-based compensation:				
Current period expense	-	1,856	-	1,856
Stock options exercised (note 8(b))	740	(740)	-	-
Balance, September 30, 2014	58,187	6,969	(4,367)	60,789

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

	Three months ended		Six months ended	
	September 30		September 30	
	2014	2013	2014	2013
UNAUDITED (thousands of Canadian \$)				
Cash flows from operating activities				
Net income	7,473	5,608	13,717	12,689
Adjustments for:				
Depreciation	389	379	756	754
Income and other taxes (note 7)	2,938	2,525	5,427	5,443
Stock-based compensation (note 8(d))	918	758	1,856	1,303
Interest income (note 6)	(184)	(162)	(377)	(319)
	11,534	9,108	21,379	19,870
Changes in non-cash working capital:				
Trade and other receivables	(542)	(1,172)	4,532	5,954
Trade payables and accrued liabilities	415	251	(1,405)	(2,164)
Prepaid expenses	(197)	(95)	(107)	58
Deferred revenue	(3,700)	(2,668)	(6,603)	(5,943)
Cash generated from operating activities	7,510	5,424	17,796	17,775
Interest received	190	161	379	316
Income taxes paid	(3,053)	(2,682)	(6,351)	(5,351)
Net cash from operating activities	4,647	2,903	11,824	12,740
Cash flows from financing activities				
Proceeds from issue of common shares	2,375	4,752	4,064	7,674
Dividends paid	(7,880)	(6,994)	(15,752)	(15,835)
Common shares buy-back (note 8(b) & (c))	(6,264)	-	(6,264)	-
Net cash used in financing activities	(11,769)	(2,242)	(17,952)	(8,161)
Cash flows used in investing activities				
Property and equipment additions	(653)	(28)	(880)	(253)
Increase (decrease) in cash	(7,775)	633	(7,008)	4,326
Cash, beginning of period	73,177	63,112	72,410	59,419
Cash, end of period	65,402	63,745	65,402	63,745

See accompanying notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the three and six months ended September 30, 2014 and 2013 (unaudited).

1. Reporting Entity:

Computer Modelling Group Ltd. ("CMG") is a company domiciled in Alberta, Canada and is incorporated pursuant to the Alberta Business Corporations Act, with its Common Shares listed on the Toronto Stock Exchange under the symbol "CMG". The address of CMG's registered office is Suite 200, 1824 Crowchild Trail N.W., Calgary, Alberta, Canada, T2M 3Y7. The condensed consolidated financial statements as at and for the three and six months ended September 30, 2014 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, 2014 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, 2014.

These unaudited condensed consolidated financial statements as at and for the three and six months ended September 30, 2014 were authorized for issuance by the Board of Directors on November 12, 2014.

(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, 2014.

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, 2014 prepared in accordance with IFRS applicable to those annual consolidated financial statements. Except as disclosed below, 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, 2014.

NEW STANDARDS AND INTERPRETATIONS ADOPTED:

The Company has adopted the following amendments to standards, with a date of initial application of April 1, 2014:

- Amendments to IAS 32 *Offsetting Financial Assets and Liabilities*
Clarify when an entity has a legally enforceable right to set-off and net versus gross settlement mechanisms. The adoption of the amendments did not have a material impact on the condensed consolidated financial statements.
- Amendments to IAS 36 *Impairment of Assets*
Clarify IASB's original intention to require the disclosure of the recoverable amount of impaired assets as well as additional disclosures about the measurement of the recoverable amount of impaired assets. The adoption of the amendments did not have a material impact on the condensed consolidated financial statements.

4. Revenue:

Three months ended September 30, (thousands of \$)	2014	2013
Software licenses	17,992	14,982
Professional services	1,739	2,202
	19,731	17,184

Six months ended September 30, (thousands of \$)	2014	2013
Software licenses	35,390	31,271
Professional services	3,893	4,029
	39,283	35,300

5. Research and Development:

Three months ended September 30, (thousands of \$)	2014	2013
Research and development	4,404	3,935
Scientific research and experimental development ("SR&ED") investment tax credits	(287)	(517)
	4,117	3,418

Six months ended September 30, (thousands of \$)	2014	2013
Research and development	8,970	7,955
Scientific research and experimental development ("SR&ED") investment tax credits	(643)	(1,065)
	8,327	6,890

6. Finance Income and Finance Costs:

Three months ended September 30, (thousands of \$)	2014	2013
Interest income	184	162
Net foreign exchange gain	667	-
Finance income	851	162
Net foreign exchange loss	-	(325)
Finance costs	-	(325)

Six months ended September 30, (thousands of \$)	2014	2013
Interest income	377	319
Net foreign exchange gain	86	167
Finance income	463	486

7. Income and Other Taxes:

The major components of income tax expense are as follows:

Six months ended September 30, (thousands of \$)	2014	2013
Current year income taxes	5,547	4,966
Adjustment for prior year	40	8
Current income taxes	5,587	4,974
Deferred tax recovery	(293)	(179)
Foreign withholding and other taxes	133	648
	5,427	5,443

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:

Six months ended September 30, (thousands of \$, unless otherwise stated)	2014	2013
Combined statutory tax rate	25.00%	25.00%
Expected income tax	4,786	4,533
Non-deductible costs	476	337
Effect of tax rates in foreign jurisdictions	50	73
Withholding taxes	86	486
Adjustment for prior year	40	8
Other	(11)	6
	5,427	5,443

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

(thousands of \$)	September 30, 2014	March 31, 2014
Tax liability on SR&ED investment tax credits	(92)	(354)
Tax asset on property and equipment	50	19
Net deferred tax liability	(42)	(335)

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.

On May 21, 2014, the Board of Directors of the Company approved a two-for-one stock split of the Company's issued and outstanding Common Shares. The Common Shares were traded on a "due bill" basis from the opening on June 23, 2014 to July 2, 2014, inclusively. The stock split record date was June 25, 2014. Accordingly, the comparative number of shares and per share amounts have been retroactively adjusted to reflect the two-for-one adjustment.

(b) ISSUED:

(thousands of shares)	Common Shares
Balance, April 1, 2013	76,258
Issued for cash on exercise of stock options	1,510
Balance, September 30, 2013	77,768
Balance, April 1, 2014	78,419
Issued for cash on exercise of stock options	673
Common shares buy-back	(510)
Balance, September 30, 2014	78,582

Subsequent to September 30, 2014, 19,000 stock options were exercised for cash proceeds of \$104,000.

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 29, 2013, the Company announced a Normal Course Issuer Bid ("NCIB") commencing on May 1, 2013 to purchase for cancellation up to 7,076,000 of its Common Shares. This NCIB ended on April 30, 2014 and no Common Shares were purchased.

On May 5, 2014, the Company announced a NCIB commencing on May 5, 2014 to purchase for cancellation up to 7,440,000 of its Common Shares. During the six months ended September 30, 2014, 510,000 Common Shares were purchased at market price for a total cost of \$6,264,000.

(d) STOCK-BASED COMPENSATION PLAN:

The Company adopted a rolling stock option plan as of July 13, 2005, which was reaffirmed by the Company's shareholders on July 10, 2014, which allows it to grant options to acquire Common Shares of up to 10% of the outstanding Common Shares at the date of grant. Based upon this calculation, at September 30, 2014, the Company could grant up to 7,858,000 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:

	Six months ended September 30, 2014		Year ended March 31, 2014	
	Number of Options (thousands)	Weighted Average Exercise Price (\$/share)	Number of Options (thousands)	Weighted Average Exercise Price (\$/share)
Outstanding at beginning of period	5,858	9.25	5,876	6.56
Granted	2,111	13.01	2,328	12.22
Exercised	(673)	6.04	(2,162)	5.20
Forfeited	(65)	11.04	(184)	8.49
Outstanding at end of period	7,231	10.63	5,858	9.25
Options exercisable at end of period	3,537	8.89	2,166	6.72

The range of exercise prices of stock options outstanding and exercisable at September 30, 2014 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	1,394	1.6	6.10	1,394	6.10
6.72 - 9.09	1,468	2.8	9.06	1,029	9.06
9.10 - 12.20	2,237	3.9	12.19	1,114	12.20
12.21 - 14.97	2,132	4.9	13.03	-	-
	7,231	3.5	10.63	3,537	8.89

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

	Six months ended September 30, 2014	Year ended March 31, 2014
Fair value at grant date (\$/option)	1.27 to 2.50	1.53 to 2.47
Share price at grant date (\$/share)	13.00 to 14.97	12.20 to 14.57
Risk-free interest rate (%)	1.05 to 1.36	1.21 to 1.64
Estimated hold period prior to exercise (years)	2 to 4	2 to 4
Volatility in the price of common shares (%)	22 to 28	26 to 28
Dividend yield per common share (%)	2.67 to 3.21	2.78 to 3.21

The Company recognized total stock-based compensation expense for the three and six months ended September 30, 2014 of \$918,000 and \$1,856,000 (three and six months ended September 30, 2013 – \$758,000 and \$1,303,000, respectively).

(e) EARNINGS PER SHARE:

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

Three months ended September 30, (thousands except per share amounts)	2014			2013		
	Earnings (\$)	Weighted Average Shares Outstanding	Earnings Per Share (\$/share)	Earnings (\$)	Weighted Average Shares Outstanding	Earnings Per Share (\$/share)
Basic	7,473	78,742	0.09	5,608	77,301	0.07
Dilutive effect of stock options		1,209			1,974	
Diluted	7,473	79,951	0.09	5,608	79,275	0.07

Six months ended September 30, (thousands except per share amounts)	2014			2013		
	Earnings (\$)	Weighted Average Shares Outstanding	Earnings Per Share (\$/share)	Earnings (\$)	Weighted Average Shares Outstanding	Earnings Per Share (\$/share)
Basic	13,717	78,668	0.17	12,689	76,907	0.16
Dilutive effect of stock options		1,432			1,961	
Diluted	13,717	80,100	0.17	12,689	78,868	0.16

During the three and six months ended September 30, 2014, 39,000 and 258,000 options (three and six months ended September 30, 2013 – 300,000 and Nil options, respectively), were excluded from the computation of the weighted-average number of diluted shares outstanding because their effect was not dilutive.

9. Financial Instruments:

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

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

10. Commitments:

(a) RESEARCH COMMITMENTS:

The Company is the operator of the DRMS research and development project (the “DRMS project”), a collaborative effort with its partners Shell International Exploration and Production BV (“Shell”) and Petroleo Brasileiro S.A. (“Petrobras”), to jointly develop the newest generation of reservoir and production system simulation software. The project has been underway since 2006 and, with the ongoing support of the participants, it is expected to continue until ultimate delivery of the software. The Company’s share of costs associated with the project is estimated to be \$5.9 million (\$3.1 million net of overhead recoveries) for fiscal 2015.

(b) LEASE COMMITMENTS:

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

As at September 30, (thousands of \$)	2014	2013
Less than one year	2,370	2,042
Between one and five years	3,270	4,070
More than five years	1,014	-
	6,654	6,112

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 September 30, 2014, US \$165,000 (March 31, 2014 – 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	
	Six months ended September 30,		As at September 30,	
	2014	2013	2014	2013
Canada	14,692	12,701	2,015	2,626
United States	7,946	7,085	320	52
South America	8,108	6,147	281	63
Eastern Hemisphere ⁽¹⁾	8,537	9,367	60	62
	39,283	35,300	2,676	2,803

(1) Includes Europe, Africa, Asia and Australia

In the six months ended September 30, 2014 and 2013, no customer represented 10% or more of total revenue.

13. Joint Operation:

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

For the three and six months ended September 30, 2014, CMG included \$1.5 million and \$2.9 million, respectively (three and six months ended September 30, 2013 - \$1.1 and \$2.2 million, respectively) of costs in its condensed consolidated statements of operations and comprehensive income related to this joint project.

Additionally, the Company is entitled to charge the project for various services provided as operator, which were recorded in revenue as professional services and amounted to \$0.6 million and \$1.3 million during the three and six months ended September 30, 2014 (three and six months ended September 30, 2013 - \$0.6 million and \$1.2 million, respectively).

14. Subsequent Events:

On November 12, 2014, the Board of Directors declared a quarterly cash dividend of \$0.10 per share on its Common Shares, payable on December 15, 2014, to all shareholders of record at the close of business on December 5, 2014.

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