



Chartwell Technology

CHARTWELL ANNOUNCES FINANCIAL RESULTS FOR THE THREE AND TWELVE MONTHS ENDED OCTOBER 31, 2006

Chartwell Technology Inc.

TSX: CWH

Calgary, Canada, January 29, 2007, Chartwell Technology Inc. (“Chartwell” or the “Company”) (TSX: CWH) a leading provider of gaming software systems and entertainment content to the online and remote gaming industry, announces audited financial results for the three and twelve months ended October 31, 2006.

The 2006 fiscal year represented a challenging year for Chartwell and its industry peers. Overall, the Company’s traditional product line of internet casino games performed well although external factors contributed to the loss of certain revenue. During 2006, the Company continued its development of a European style poker product with recent emphasis on the further development of a community of players to achieve game liquidity. Late in the Company’s fiscal year, the United States government enacted legislation to prevent Americans from participating in online gaming. Chartwell has always and will continue to focus its business development in the European Union and accordingly, the effect of this legislation on Chartwell was not significant. The effect, however, has been significant as it relates to the online gaming segment of the capital markets.

Three months ended October 31, 2006

Revenue for this year’s fourth quarter was \$4.7 million compared to \$4.6 million for the same period a year earlier. Organic revenue growth in fiscal 2006 was modest while revenue growth from new business more than offset revenue declines and customer losses.

Net loss for the fourth quarter was \$221,000 compared to income of \$0.9 million for the prior year period, with basic and fully diluted loss per share of \$0.01 compared to earnings of \$0.04 for the comparative quarter of 2005. The decline in net income for the fourth quarter of fiscal 2006 was the result of higher expenses, including:

- Increase in professional fees related to a proposed merger that was not concluded
- Costs associated with a full year of poker support, marketing and community hosting costs while in the early stages of poker revenue generation
- Planning and implementing corporate structure in Europe and regulatory and compliance costs
- Growth of expense base to support an expanded scale of business

Software development and support expenses, net of deferred software development costs, were \$2.2 million in the fourth quarter compared to \$1.6 million for the same period of fiscal 2005 for reasons noted above.

General and administrative (“G&A”) expenses increased to \$1.5 million in the fourth quarter of fiscal 2006 from \$0.5 million a year earlier. Costs related to due diligence and legal work for a planned acquisition that was not consummated, higher legal and regulatory fees, professional fees related to the establishment and expansion of operations in Malta and related corporate structure planning contributed to the increase.

Sales and marketing expenses were \$0.8 million for the three months ended October 31, 2006, compared to \$0.5 million a year earlier reflecting a larger scale of sales and marketing activity.

Year ended October 31, 2006

Total revenue for the year ended October 31, 2006 increased 4% to \$18.6 million compared to fiscal 2005 revenue. The principal reasons for the only modest revenue growth over the prior year were challenges faced by customers with exposure to the Italian market, which was effectively closed to non-Italian gaming operators and the loss of two customers; offset by a relatively strong increase in revenue from new customers.

Net income for fiscal 2006 was \$0.9 million (\$0.05 per basic and fully diluted share) compared to \$4.0 million (\$0.22 per share basic and \$0.20 per share fully diluted) in the previous year.

Net income declined year over year due primarily to:

- Costs associated with a full year of poker support, marketing and community hosting costs while still in the early stages of revenue generation from the poker product
- Provision for accounts receivable related to two customers; the provision was unrelated to Chartwell’s performance as the software provider
- One time increase in professional fees related to a proposed merger that did not proceed
- Costs associated with the Company’s corporate structure and regulatory compliance
- Growth of expense base to support an expanded scale of business

Software development and support expenses, net of deferred software development costs, increased to \$8.1 million compared to \$6.0 million for the same period of 2005 for reasons noted above.

G&A expense was \$4.5 million for the 2006 year, up from \$1.6 million in the same period of 2005. Contributing to the increase for comparative periods is a \$1 million provision for a doubtful account recorded in the second quarter of 2006, costs related to due diligence and legal work for a planned acquisition that was not completed, legal and accounting services related to corporate structure and higher costs to grow and expand senior management of the Company.

Sales and marketing expenses increased to \$2.3 million for the year 2006 from \$2.2 million a year earlier.

Balance Sheet strength

The Company continued to maintain a strong balance sheet through positive cash flow and maintaining positive working capital. At October 31, 2006 the Company had \$12.8 million of cash and short-term investments and positive net working capital of \$17.8 million with no debt.

Other developments

The Company was successful in adding significant new customers during the year, although its revenue growth was slower than expected as a result of various regulatory issues in both Europe and the US. The Company intends to dedicate more resources this year to growing its revenues by helping current customers to achieve higher revenues with expanded games and player management and promotion functionality, by adding new customers through an expanded sales effort and through more concentrated efforts to expand into new geographic markets.

In fiscal 2006, the Company's overall expense growth far exceeded its budget. A large portion of its overall cost increase reflects the level of investment made in order to satisfy software development plans and large client deliverable projects. The Company's objective for fiscal 2007 will be to significantly reduce or eliminate the type of one-time expenses which were incurred in fiscal 2006 and to trim its expense budget through corporate restructuring and very careful and prudent cost analysis."

About Chartwell

Chartwell specializes in the development of leading-edge gaming applications and entertainment content for the Internet and wireless platforms and other remote access devices. Chartwell's Java and Flash based software products and games are designed for deployment in gaming, entertainment, advertising and promotional applications. Chartwell does not participate in the online gaming business of its clients. Chartwell's team of highly trained professionals is committed to delivering the highest quality software and maintaining its leading edge through continuous development and unparalleled customer support.

Chartwell invites you to preview our company and gaming applications at www.chartwelltechnology.com

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The TSX does not accept responsibility for the adequacy or accuracy of this release.

This press release contains certain forward-looking statements which reflect Management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities.

Statements about the Company's future plans and intentions, results, levels of activity, performance or achievements or other future events constitute forward-looking statements. Where possible, words such as "anticipate", "estimate", "may", "will", "should", "could", "expect", "plan", "intend", "believe", "estimate", or "potential" or similar words, have been used to identify these forward-looking statements.

Forward-looking statements involve significant risks, uncertainties and assumptions. Many factors could cause actual results to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements.

Factors which could cause results or events to differ from current expectations include, among other things: the impact of government regulation and laws affecting international operations; the impact of price competition; the ability of the Company to retain and attract qualified professionals; the impact of rapid technological and market change; loss of business or credit risk with current and prospective major customers; general industry and market conditions and growth rates; currency rate fluctuations and the impact of consolidations in the on-line gaming industry. Further information is provided under the heading "Risks and Uncertainties" in the Company's annual MD&A, which readers are encouraged to review. Chartwell disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. No assurance can be given that actual results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.