



## Chartwell Technology Inc.

### PRESS RELEASE

## CHARTWELL ANNOUNCES FINANCIAL RESULTS FOR THE FIRST QUARTER OF FISCAL 2006

- Revenue of \$4,441K, Net Income of \$504K, EPS of \$0.03 per diluted share -

Chartwell Technology Inc.

TSX:CWH

Calgary, Canada, March 16, 2006, 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, is pleased to announce financial results for the first quarter ended January 31, 2006.

Highlights of the quarter included:

- Total revenue of \$4,441K;
- Software license fees of \$4,275K;
- Net income of \$504K or \$0.03 per diluted share;
- Working capital of \$20,191K; and
- Fourteenth consecutive quarter of profitability.

*“We have consistently provided earnings over the last fourteen quarters”* states Don Gleason, Chief Financial Officer. *“Continued focus on earnings and revenue growth, supported by new client delivery and a strong sales pipeline have us positioned to achieve these objectives going forward.”*

### Revenue

Compared to the same period of 2005, total revenue decreased to \$4,441K from \$4,815K. Although software license fees, which represent 96.3% of total revenue, decreased by 7.8% to \$4,275K, the quarter (Q1/06) over quarter (Q4/05) growth was 4.0% and, with the exception of the anomalous first quarter of fiscal 2005, is in line with our historical sequential growth rate for Q1 of between 3% and 5%.

Software set-up fees decreased by 56.0% to \$51K from \$115K in the comparative quarter of 2005. Set-up fees are traditionally volatile and fluctuate due to the size and maturity level of the customer.

Interest income increased by 46.0% to \$115K from \$79K in the comparative quarter of 2005.

### Operating Expenses

Total operating expenses, which include foreign currency gains and losses, increased by 38.2% to \$3,555K compared to \$2,576K in the comparative quarter of 2005. Overall, operating expenses as a percentage of total revenue increased to 80.0% from 53.5% in the comparative period of 2005. The increase in operating expenses reflects planned increases in personnel and infrastructure costs associated with our growth strategy and development plans. Over the last twelve months, the Company has added 47 staff, expanded our facilities in Vancouver and Calgary and upgraded and expanded our information technology systems. The year over year growth also reflects increases in non-cash charges such as stock-based compensation expense, depreciation, amortization of intangible assets and a loss on foreign currency in the amount of \$132K.

Compared to the same period of 2005, software development and support costs, net of deferred software development and support expenses of \$466K, increased by 35.4% to \$1,795K compared to \$1,325K, sales and marketing expenses increased by 10.8% to \$580K compared to \$650K, general and administrative expenses increased by 34.4% to \$547K compared to \$407K and foreign exchange losses increased to \$132K compared to a gain of \$20K. Depreciation, amortization of intangible assets and amortization of deferred software development costs increased by 191.6% to \$277K compared to \$95K in the same period of 2005. Stock-based compensation expense increased by 90.0% to \$224K compared to \$118K in the comparative period of 2005.

### **Net Income**

Despite planned increases in costs and a decline in revenue over the same period of 2005, the Company delivered its fourteenth consecutive quarter of profitability. Net income decreased by 66.2% to \$503K compared to \$1,486K in the same period of 2005. Net income in the current period is net of a provision for income taxes in the amount of \$382K.

### **Liquidity and Capital Resources**

At January 31, 2006, Chartwell had an aggregate of \$16,277K of cash and short-term investments and working capital of \$20,191K.

For the three months ended January 31, 2006, net cash usage from operations was \$789K. The usage was attributable to the payment of income taxes in the amount of \$1,544K and an increase in accounts receivable of \$782K. This was partially offset by positive net income of \$503K, non-cash stock-based compensation of \$224K and depreciation and amortization of \$277K.

Net cash used in financing activities was \$1,252K. This resulted from the purchase for \$653K of 163K of the Company's shares under the Normal Course Issuer Bid and the payment of \$613K due to Honeycomb Holdings Limited which was recorded on the acquisition of Micropower Corporation.

Net cash received from investing activities was \$1,868K. This resulted from the redemption of \$2,668K of short-term investments, offset by the purchase of \$333K in property and equipment and the capitalization of \$466K in software development costs.

### **Conference Call**

A conference call for analysts and shareholders is scheduled for 5:00pm EST on Thursday, March 16, 2006. To participate in the call please dial the appropriate number as listed below not less than five minutes prior to the call's commencement. You will be requested to provide your name, telephone number and corporate affiliation (if applicable).

Date: Thursday, March 16, 2006  
Time: 5:00pm EST  
International or local (Toronto): 416-695-6623;  
Toll-free North America: 1-888-280-8771

Audio playback will be available after the call and will remain accessible until March 23, 2006.

For instant replay access call:  
International or local: 416-695-5275  
Toll-free: 1-888-509-0081

### **About Chartwell**

Chartwell Technology Inc. specializes in the development of 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 and play our games at [www.chartwelltechnology.com](http://www.chartwelltechnology.com)**

For further information, please contact **Chartwell Technology Inc.**

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Our actual results could differ materially from those anticipated in these forward-looking statements as a result of factors that may include, but are not limited to: the impact of government regulation, the impact of price competition, loss of business or credit risks associated with current and prospective major customers, general industry and market conditions and growth rates, currency rate fluctuations, the impact of consolidations in the online gaming industry and other risks detailed from time to time in Chartwell's Annual Information Form and Management's Discussion and Analysis, both of which may be found at [www.sedar.com](http://www.sedar.com)