

# CHARTWELL TECHNOLOGY INC.

## Consolidated Balance Sheets

(stated in Canadian dollars)

(unaudited)

	January 31 <u>2001</u>	October 31 <u>2,000</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 7,811,790	\$ 8,793,474
Accounts receivable	336,826	186,635
Prepaid expenses	82,716	71,968
	<u>8,231,332</u>	<u>9,052,077</u>
Capital assets	314,725	327,745
Deferred software development costs	302,701	330,220
	<u>\$ 8,848,758</u>	<u>\$ 9,710,042</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 384,453	\$ 785,542
Current portion of obligations under capital lease	12,486	12,486
Current portion of deferred revenue	367,325	299,789
	<u>764,264</u>	<u>1,097,817</u>
Long-term debt	-	-
Deferred revenue	-	-
Obligations under capital lease	13,601	17,363
Shareholders' equity:		
Share capital	14,491,135	14,418,635
Deficit	(6,420,242)	(5,823,773)
	<u>8,070,893</u>	<u>8,594,862</u>
	<u>\$ 8,848,758</u>	<u>\$ 9,710,042</u>

See accompanying notes to consolidated financial statements.

# CHARTWELL TECHNOLOGY INC.

## Consolidated Statements of Loss and Deficit

For the three months ended January 31

(stated in Canadian dollars)

(unaudited)

	<u>2001</u>	Revised (See Note 2) <u>2000</u>
<b>Revenue:</b>		
Software set-up fees	\$ 75,881	\$ 169,203
Software license fees	235,838	-
Interest and other	130,819	19,718
	<u>442,538</u>	<u>188,921</u>
<b>Expenses:</b>		
Software development	523,939	139,199
General and administrative	460,944	367,666
Amortization of deferred software development costs	27,519	22,015
Interest and other	3,294	-
Depreciation and amortization	23,311	9,648
	<u>1,039,007</u>	<u>538,528</u>
<b>Net loss</b>	<u>(596,469)</u>	<u>(349,607)</u>
<b>Deficit, beginning of period</b>	(5,823,773)	(3,198,467)
<b>Deficit, end of period</b>	<u>\$ (6,420,242)</u>	<u>\$ (3,548,074)</u>
<b>Net loss per share:</b>	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>

See accompanying notes to consolidated financial statements.

# CHARTWELL TECHNOLOGY INC.

## Consolidated Statements of Cash Flow

For the three months ended January 31

(stated in Canadian dollars)

(unaudited)

	<u>2001</u>	<u>2000</u>
<b>Cash provided by (used in):</b>		
<b>Operations:</b>		
Net loss from continuing operations	\$ (596,469)	\$ (349,607)
Depreciation and amortization	23,311	9,648
Amortization of deferred software development costs	27,519	22,015
Deferred revenue	67,536	385,059
Cash used by operations	<u>(478,103)</u>	<u>67,115</u>
Change in non-cash working capital:		
Accounts receivable	(150,191)	(218,187)
Prepaid expenses	(10,748)	(54,316)
Accounts payable and accrued liabilities	(401,089)	379,359
	<u>(1,040,131)</u>	<u>173,971</u>
<b>Financing:</b>		
Issue of shares	72,500	20,000
Repayment of lease obligations	(3,762)	(433)
Long-term debt	-	1,457
	<u>68,738</u>	<u>21,024</u>
<b>Investments</b>		
:		
Purchase of capital assets	(10,291)	(47,478)
	<u>(10,291)</u>	<u>(47,478)</u>
Increase (decrease) in cash	<u>(981,684)</u>	<u>147,517</u>
Cash, beginning of the period	8,793,474	609,909
Cash, end of the period	<u>\$ 7,811,790</u>	<u>\$ 757,426</u>

See accompanying notes to consolidated financial statements.

# CHARTWELL TECHNOLOGY INC.

## Notes to Consolidated Financial Statements

For the three months ended January 31, 2001

(stated in Canadian dollars)

(unaudited)

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1. Accounting policies and methods used for these statements are the same as those used for the annual statements dated October 31, 2000.
2. Since publishing the January 31, 2000 quarterly statements we have adopted certain revenue recognition policies in accordance with Securities and Exchange Commission guidelines regarding software revenue recognition. Therefore, the consolidated statements of loss and deficit have been restated.
3. As at March 15, 2001 the Company had 15,608,501 common shares outstanding and 1,802,532 options to acquire common shares.
4. Segmented information:

The Company has aggregated its Canadian and Belize operating segments into one reporting segment as management has determined that the nature of the operations in each segment meets the aggregation criteria specified by the CICA.

The Company's software set-up and license fees are from domestic and foreign entities and originate from the following countries of operation:

2001	Canada	Belize	Total
Software set-up fees	\$ 75,881	\$ -	\$ 75,881
Software license fees	\$ -	\$ 235,838	\$ 235,838
<b>2000</b>			
Software set-up fees	\$ -	\$ 169,203	\$ 169,203
Software license fees	\$ -	\$ -	\$ -

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## Interim Report (for the three months ended January 31, 2001)

### Corporate

During the first quarter ended January 31, 2001 Chartwell has focused on the marketing and market development of our new software products. Version 2.0 of our Java Casino software and our Java Bingo product have been successfully implemented in the three new market areas which we have targeted.

This new version of our software has been implemented in the Harrahs.com play for fun casino representing our entry into the land based casino market, in thespinroom.com, a Victor Chandler International site representing our entry into the online sportsbetting industry and the Lasvegas.com site representing our entry into the entertainment portal site business. The initial penetration of these market areas was a fundamental part of our business plan. Having successfully accomplished our market entry, we are now focused on increasing our market share.

### Financial

Revenues for the three-month period were \$442,538, an increase of 134% over the corresponding period of the previous year. The majority of revenues were generated by our subsidiary company, GamingTech through software licensing and development fees. Expenses for the period were \$1,039,007, an increase of 93% over the prior year. The majority of these expenses related to research and development.

Chartwell posted a loss of \$596,469 for the period compared with a loss of \$349,607 in the corresponding period of the prior year. As in previous quarters, a significant portion of our loss for the period represents an investment in software development. Expenses related to software development are not capitalized. Working capital at the end of the period was \$7,834,303.

### Outlook

We are in the midst of an aggressive expansion in the new large market areas we have successfully entered. Our focus is now on revenue growth and profitability while we continue to add new games, features and functionality to our industry leading Java based gaming systems.

Darold H. Parken, President  
March 30, 2001