



CHARTWELL TECHNOLOGY INC.

**Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three months ended January 31, 2008 and 2007.**

March 13, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with Chartwell Technology Inc.'s ("Chartwell" or the "Company") audited consolidated financial statements and the accompanying notes for the year ended October 31, 2007, which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Additional information relating to the Company is available on SEDAR at www.sedar.com under Chartwell Technology Inc. and on the Company's website at www.chartwelltechnology.com.

Special Note Regarding Forward-Looking Statements

This MD&A 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. Whenever 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 risk, 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 legislation; 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 consolidation in the on-line gaming industry. 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.

Past performance has been considered in drawing conclusions with respect to forward-looking statements contained in this MD&A.

EBITDA is defined as earnings before interest, taxes, depreciation and amortization. EBITDA is not a recognized measure under Canadian generally accepted accounting principles. Management believes however that EBITDA is a useful supplementary measure as it provides indication of the results of Chartwell's business operations without regard to how these activities were financed or how these results were taxed. Chartwell's method of calculating EBITDA may differ from that of other companies, and accordingly, EBITDA may not be directly comparable to measures used by other companies.

OVERVIEW

Chartwell develops, markets, licenses, implements and supports gaming applications and entertainment content for the internet and remote platforms. Chartwell's JAVA and Flash based software products and games are designed for deployment in gaming, entertainment and promotional applications.

Business Plan

The Company's business plan and objectives through fiscal 2008 are to continue to increase our market share in the traditional internet Casino market with a continued emphasis on the European market; endeavour to license our software to the larger European operators; further develop the liquidity of our Poker community; penetrate new markets including Asia; launch a Linked Progressive Jackpot (LPJ) and seek out potential gaming operators who at present have large consumer data bases.

Overall we intend to expand the range of products and services we provide through in-house development and through selected acquisitions and joint ventures. In order to grow and remain a leading software provider in a competitive market, we must continue to offer an expanding variety of new and innovative products and services that enhance the gaming experience in order to help our customers attract, and retain players.

Business Model

The majority of Chartwell's revenue is in the form of software license fees and most of which are contingent upon customer usage and are recognized on an accrual basis as earned over the life of the contract. Licensees pay an ongoing fee for the licensing and support of the Company's software under a software licensing agreement, which typically has a three to five year term. The license fee is calculated as a percentage of each licensee's level of activity. Additional revenue is derived from software set-up fees, Poker community management service fees, software development fees and network administration services. Software set-up fees are one time fees for new customer installations. The Company's contractual agreements with licensees provide for the provision of graphics, web design, software implementation services, licensing of the software and provision of software upgrades over the fixed term of the contract. Set-up fee revenue and related costs are recognized ratably over the term of the contract. The Company manages PokerNexus, a community of independent Poker site operators who are Chartwell software licensees. The Company recognizes service fees for community management services provided to a third party that provides hosting and other related services to Poker site operators. Software development fees are fees that the Company charges for software development services relating to software programming services. These fees are recognized on a percentage-of-completion basis and reported along with service fees. The Company provides network administration services for fixed monthly rates and these fees are reported along with service fees.

Expenses are classified into eight categories, namely: software development and support; sales and marketing; general and administrative; amortization of deferred software development costs; stock-based compensation expense; depreciation and amortization; amortization of intangible assets; and foreign currency gains or losses. Software development and support consists of personnel and related costs associated with the design and development of new products, support of existing products, hosting costs for the Poker community paid to a hosting provider, customer implementation and quality assurance. Sales and marketing expenses consist of personnel and related costs associated with the Company's sales, marketing and business development activities. General and administrative expenses include the costs of all administrative, financial and information technology (IT) support personnel, investor relations and professional fees relating to our public company listing. Stock-based compensation expense consists of the estimated fair value of options granted to employees and consultants. Depreciation and amortization are based on the estimated useful life of our assets and include the amortization of deferred software development costs and intangible assets. Impairment of long term assets such as intangibles and deferred software development results from the periodic review of the recoverability of the value of such assets. The Company operates internationally with all of its revenue derived from non-Canadian licensees. Under the Company's licensing agreements, the majority of the Company's revenue is received in UK Pounds Sterling and Euros. Consequently, the Company is exposed to currency fluctuations, which result in foreign currency gains or losses, which are reported in that expense category.

HIGHLIGHTS

Total revenue for the three months ended January 31, 2008 was \$5.8 million compared to \$5.5 million for the same period a year earlier. Net income was \$0.9 million for the first quarter of 2008 as compared to \$0.5 million for the same period in the prior year with basic and diluted earnings per share of \$0.05 in the first quarter of 2008 versus \$0.03 of basic and diluted earnings per share in the first quarter of 2007. Total expenses were 3.2% lower than the first quarter of the prior year, or a decrease of \$158,000. Sales and marketing, software development and support and general and administrative expenses were all significantly lower in the first quarter of 2008 compared to the first quarter of 2007, however certain amortization charges were higher than in the same quarter in the prior year. The increase in revenue is due primarily to increased liquidity in the poker community.

Chartwell maintains a strong balance sheet. At January 31, 2008 the Company had cash and short-term investments of \$16.4 million, working capital (defined as current assets less current liabilities) of \$21.3 million and no debt.

SUMMARY OF FINANCIAL RESULTS

Comparative Quarterly Operating Results (in thousands, except share data)

The following table sets out selected unaudited financial information of the Company on a consolidated basis for the last eight quarters.

	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Revenue								
Software license fees	\$5,582	\$4,651	\$5,019	\$5,334	\$5,289	\$4,367	\$4,383	\$4,449
Software set-up fees	25	45	81	55	55	111	69	65
Service fees	29	74	61	58	6	-	-	-
Interest and other	139	122	109	115	147	224	211	243
	<u>5,775</u>	<u>4,892</u>	<u>5,270</u>	<u>5,562</u>	<u>5,498</u>	<u>4,702</u>	<u>4,663</u>	<u>4,757</u>
Expenses								
Software development and support	2,305	2,182	2,439	2,357	2,470	2,394	2,141	1,740
Sales and marketing	745	663	740	716	924	618	566	545
General and administrative	788	1,124	775	1,292	1,021	1,502	841	1,650
Amortization of deferred software development costs	288	238	248	284	172	58	59	59
Impairment of deferred software development costs	-	543	-	-	-	-	-	-
Stock-based compensation	139	108	(149)	139	133	139	89	171
Depreciation and amortization	173	224	201	187	115	117	114	100
Amortization of intangible assets	122	171	245	205	123	124	123	123
Impairment of intangible assets	-	872	-	-	-	-	-	-
Foreign currency loss (gain)	(67)	439	237	298	(273)	48	(68)	45
	<u>4,492</u>	<u>6,564</u>	<u>4,736</u>	<u>5,478</u>	<u>4,685</u>	<u>5,000</u>	<u>3,865</u>	<u>4,433</u>
Net income (loss) before taxes	1,283	(1,672)	534	84	813	(298)	798	324
Income tax expense (recovery)	353	(578)	130	(23)	318	(77)	322	223
	<u>930</u>	<u>(1,094)</u>	<u>404</u>	<u>107</u>	<u>495</u>	<u>(221)</u>	<u>476</u>	<u>101</u>
Net Income (Loss)	<u>\$930</u>	<u>(\$1,094)</u>	<u>\$404</u>	<u>\$107</u>	<u>\$495</u>	<u>(\$221)</u>	<u>\$476</u>	<u>\$101</u>
Basic earnings per share	\$0.05	(\$0.07)	\$0.03	\$0.01	\$0.03	(\$0.01)	\$0.03	\$0.01
Diluted earnings per share	\$0.05	(\$0.07)	\$0.03	\$0.01	\$0.03	(\$0.01)	\$0.03	\$0.01

QUARTERLY RESULTS

FOR THE THREE MONTHS ENDED JANUARY 31, 2008 COMPARED TO THE THREE MONTHS ENDED JANUARY 31, 2007.

Revenue

In the three months ended January 31, 2008, total revenue increased by 4.8% to \$5.8 million compared to \$5.5 million in the same period of 2007. Casino revenue was comparable between the first quarter of 2008 as compared to the first quarter of 2007, poker revenue almost doubled from \$335,000 to \$652,000 in the first quarter of 2008.

Software license fees increased to \$5.6 million in the first quarter of 2008 from \$5.3 million in the first quarter of 2007. Software license fees represented 97% of total revenue for the 2008 first quarter compared to 96% the same period a year earlier. The quarter over quarter increase in software license revenue is from increased liquidity in the poker community.

Software set-up fees decreased by 53.8% to \$25,000 from \$55,000 for the three months ended January 31, 2008 and 2007, respectively.

Interest and other income decreased by 6.0% to \$138,000 in the three months ended January 31, 2008 compared to \$147,000 for the same period of 2007. The quarter over quarter decrease is due to the absence of interest from the related party note that was settled at the end of fiscal year 2007.

Expenses

Total expenses decreased by 3.2% to \$4.8 million for the three months ended January 31, 2008 compared to \$5.0 million for the same period of 2007. All major cash expense categories were significantly lower in the first quarter of 2008 over the first quarter of 2007. Offsetting these lower cash expenses, the Company incurred higher tangible and intangible asset amortization expense, as well as a lower foreign exchange gain for the three months ended January 31, 2008 as compared to the same period of 2007.

SOFTWARE DEVELOPMENT AND SUPPORT

Software development and support expense decreased by 6.7% to \$2.3 million for the three months ended January 31, 2008 compared to \$2.5 million for the same period of 2007. No software development expenses were deferred in the first quarter of 2008, compared to \$203,000 deferred in the first quarter of 2007. Before deferred software development, gross software development and support expenses decreased by 15.0%, or \$368,000. The decrease in software development and support expense is the result of lower poker community hosting expenses following the acquisition of the Poker Community Management business as well as reduced travel and recruiting expenses.

As a percentage of revenue, software development and support expenses were 39.9% and 44.9% for the three months ended January 31, 2008 and 2007, respectively.

SALES AND MARKETING

For the three months ended January 31, 2008, sales and marketing expenses decreased by 19.4% to \$745,000 from \$924,000 in the same period of 2007. The decrease is due to lower salary and trade show expenses, as well as reduced rent and overall operating costs as the Company closed its London office and focused its sales and marketing efforts out of Malta.

As a percentage of revenue, sales and marketing expenses decreased to 12.9% from 16.8% for the three months ended January 31, 2008 and 2007, respectively.

GENERAL AND ADMINISTRATIVE

General and administrative expenses for the three months ended January 31, 2008 decreased to \$788,000 from \$1.0 million in the same period of 2007. The decrease is due primarily to reduced salary expense as well as reduced travel and recruiting costs.

As a percentage of revenue, general and administrative expenses decreased to 13.6% for the three months ended January 31, 2008 from 18.6% for the same period of 2007.

AMORTIZATION OF DEFERRED SOFTWARE DEVELOPMENT COSTS

Amortization of deferred software development costs for the three months ended January 31, 2008 was \$288,000 compared to \$172,000 for the first quarter of 2007. The increase in amortization reflects the amortization of deferred software development costs of version 2.0 of the Poker product. Through to the end of fiscal year 2007, the Company deferred a total of \$3.3 million of software development costs related to the development of version 2.0 of the Company's community poker product, which builds on the intellectual property acquired in the acquisition of Micropower Corporation. No software development expenses have been deferred in the first quarter of 2008. Management has estimated the appropriate amortization period to be three years.

STOCK-BASED COMPENSATION

The Company recorded \$139,000 of stock-based compensation expense for the three months ended January 31, 2008 compared to \$133,000 for the three months ended January 31, 2007. Stock-based compensation expense relates to the amortization of the fair value of stock options granted to employees, directors and consultants. Expenses are amortized over the vesting period of three to five years.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses increased by 49.7% to \$173,000 for the three months ended January 31, 2008 versus \$115,000 for the similar period of 2007. This increased depreciation is due to higher levels of property and equipment at January 31, 2008 versus January 31, 2007. The increase in property and equipment is from the assets acquired along with the Poker Community Management business as well as investments in hardware for the linked progressive jackpot community. It is expected that continued investment in computer hardware and software will be required as the Company continues to grow.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets is related to the customer contracts and intellectual property acquired in the acquisition of the Poker Community Management business in the second quarter of fiscal 2007. In the first quarter of 2007, the amortization related to customer contracts and intellectual property acquired along with the Micropower acquisition. The expense for the three months ended January 31, 2008 is \$122,000 as compared to \$123,000 in the comparable quarter in 2007. The value recorded for customer contracts is being amortized over the contract period for each acquired contract (i.e. as cash flows are being generated for Chartwell). The value recorded for intellectual property is being amortized over three years, which is management's best estimate of the time period that the acquired intellectual property will provide future value to Chartwell.

FOREIGN CURRENCY GAIN

The Company recognized a foreign currency gain of \$67,000 for the three months ended January 31, 2007 compared to a foreign currency gain of \$273,000 for the comparable period of 2007. In the first quarter of 2008, the foreign currency gain is offset by \$6,000 of unrealized loss on a currency hedge. The foreign currency gains reflect foreign denominated amounts receivable translated into Canadian dollar equivalents at higher foreign exchange rates than in the past. In the first quarter of 2008 the Company has begun actively hedging some of the foreign currency risk.

PROVISION FOR INCOME TAXES

Income taxes for the three months ended January 31, 2008 increased to \$353,000 compared to \$318,000 for the comparable period of 2007. The increase in tax expense is attributable to a higher level of pre-tax income in the first quarter of 2008 compared to the first quarter of 2007.

EBITDA

EBITDA (defined as net income less interest, plus taxes, depreciation and amortization) increased by 64.9% to \$1.8 million in the three months ended January 31, 2008 from \$1.1 million for the comparable period of 2007. The increase in the EBITDA between the two periods is due to the same factors affecting net income, for reasons which are noted above.

Net Income

Net income increased by 87.9% to \$930,000 for the three months ended January 31, 2008 versus \$495,000 for the three months ended January 31, 2007. Along with an increase in revenue, cash expenses declined significantly while amortization and other non-cash related expenses increased.

Diluted earnings per share were \$0.05 for the three month period ended January 31, 2008 compared to \$0.03 in the same period of 2007. The increase in diluted earnings per share is the result of higher net income.

Liquidity and Capital Resources

Operating Activities

Operating cash flow for the three months ended January 31, 2008 was \$1.4 million compared to \$2.4 million for the three months ended January 31, 2007. Before adjustments due to working capital, cash flow from operations more than doubled to \$1.4 million from \$638,000. The increase reflects the higher net income despite higher amortization and other non-cash expenses as compared with the same period in 2007.

Financing Activities

Cash flows from financing activities were \$4,000 for the three months ended January 31, 2008 compared to cash flows used in financing activities for the three months ended January 31, 2007 of \$6,000. The source of funds from financing in the first quarter of 2008 was from the exercise of stock options. The Company did not issue any shares or repurchase any shares in either the first quarter of 2008 or 2007.

Investing Activities

Cash flows used in investing activities were \$967,000 for the three months ended January 31, 2008 versus cash flows used by investing activities for the three months ended January 31, 2007 of \$325,000. The Company's investing activities in the first quarter of 2008 consisted mainly of the purchase of property and equipment and the purchase of short term investments. The Company did not defer any software development expense in the first quarter of 2008 although it deferred \$203,000 in the first quarter of 2007.

Contractual Obligations

The Company's future minimum annual payments under operating and capital leases are the following:

2008	\$470,310
2009	\$609,971
2010	\$534,655
2011	\$ 48,871
2012	\$ 50,802
Thereafter	\$ 86,873

Related Party Transactions

For the three months ended January 31, 2008, the Company incurred legal fees of \$1,400 (2007 - \$47,000), sales and marketing consultancy fees of \$31,000 (2007 - \$124,000), and general and administrative consulting fees of \$10,000 (2007 - \$71,000) from companies related to certain officers and directors of the company in the normal course of business. These transactions were measured at the exchange amount and recorded in general and administrative, sales and marketing, and software development expenses. As at January 31, 2008, \$7,000 is reflected in accounts payable and accrued liabilities, while all other amounts have been paid.

Normal Course Issuer Bid

On January 25th, 2008, the Company announced that it has filed with the Toronto Stock Exchange (the "TSX") a notice of its intention to make a normal course issuer bid (the "NCIB") for its common shares through the facilities of the TSX (the "Notice").

The Notice provides that Chartwell may, during the twelve-month period commencing February 1, 2008, purchase on the TSX up to 1,725,000 Common Shares, being approximately 10% of the "public float" (as defined in the policies of the TSX) as at the date of filing the Notice with the TSX. As at January 15, 2008, Chartwell had 18,845,089 issued and outstanding Common Shares. The price that Chartwell will pay for any such Common Shares will be the market price at the time of acquisition and any Common Shares purchased under the NCIB will be cancelled. The actual number of Common Shares that may be purchased and the timing of any such purchases will be determined by Chartwell. Chartwell's previous NCIB expired on September 25, 2006; accordingly, no Common Shares have been repurchased by the Corporation in the previous 12 months.

The average daily trading volume of Chartwell over the previous six months (July to December, 2007) was 20,976 Common Shares (the "ADTV"). Under TSX rules, Chartwell may purchase up to 25% of the ADTV per trading day. Accordingly, daily purchases will be limited to a maximum of 5,244 Common Shares, other than purchases pursuant to block purchase exceptions.

As of March 12, 2008, the Company has purchased 352,500 shares at an average cost of \$1.46 which it intends to cancel.

A copy of the Notice may be obtained by any shareholder of Chartwell, without charge, by contacting Chartwell's head office and will be available for reviewing on the SEDAR website at www.sedar.com.

Changes in accounting policies including initial adoption

Critical accounting policies and methods used in the preparation of the Company's financial statements are described in note 1 to the consolidated financial statements of the Company for the year ended October 31, 2007.

On November 1, 2006, the Company adopted the new CICA Handbook Section 3855, “Financial Instruments – Recognition and Measurement”, Section 1530, “Comprehensive Income”, and Section 3865, "Hedges" on a prospective basis.

Section 3855 establishes standards for the recognition and measurement of all financial instruments, provides a characteristics based definition of a derivative financial instrument, provides criteria to be used when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished.

Section 1530 establishes standards for reporting comprehensive income. These standards require that an enterprise present comprehensive income and its components in a separate financial statement that is displayed with the same prominence as other financial statements.

Section 3865 provides an alternative to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13, "Hedging Relationships", and on the hedging guidance in Section 1650, "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosure it requires.

The Company determined that it had no embedded derivatives that were required to be separated from the host contract, and that it had no "other comprehensive income or loss" transactions during 2007. The adoption of these new sections had no impact on net (loss) income.

On November 1, 2007, Company adopted the new CICA Handbook Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments - –Presentation”, and Section 1535, “Capital Disclosures” on a prospective basis.

Section 3862 requires disclosures in the financial statements that will enable users to evaluate: the significance of financial instruments for a company's financial position and performance; and the nature and extent of risks arising from financial instruments to which a company is exposed during the period and at the balance sheet date, and how a company manages those risks. This accounting standard is effective for fiscal years beginning after October 1, 2007.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. This section compliments the existing CICA Handbook Section 3861 - Financial Instruments - Disclosure and Presentation and is effective for fiscal years beginning on or after October 1, 2007.

Section 1535 establishes standards for disclosing information about a Company's capital and how it is managed to enable users of the financial statements to evaluate the Company's objectives, policies and procedures for managing capital. This section is effective for the fiscal years beginning on or after October 1, 2007.

The adoption of these new accounting standards did not impact the amounts in the Company's financial statements as they primarily relate to disclosure.

Section 3031, Inventories, relates to the new accounting for inventories and revises and enhances the requirements for assigning costs to inventories. The new standard applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008, and will be effective for the Company's annual and interim financial statements for the periods beginning on and after November 1, 2008.

Risks and Uncertainties

Important risk factors that could cause actual results, performance or achievements to be materially different than past performance or those implied by forward looking statements include:

- Uncertainty as to the degree of new and continuing market acceptance of our products
- Our products could contain defects that lead to costs, damage of reputation or litigation

- Our dependence on customer performance
- Uncertainty regarding future profitability
- Uncertainty regarding the pricing, reporting and collection of accounts
- Risk associated with sales in foreign countries and government policy and regulation therein
- Our ability to diligently ensure that our customers operate in accordance with the terms of our license agreements that require observation of the laws of Canada and foreign countries
- Our ability to attract and retain key personnel

For further information on the Company's risks and uncertainties, see the Company's 2007 Annual Information Form available at www.sedar.com.

Proposed Transactions

There is no proposed asset or business acquisition or disposition transactions pending as at January 31, 2008, except as noted below.

Subsequent to January 31, 2008 the Company acquired Elite Club Management N.V. ("ECM"), which is at present sublicensing casino and poker software from the Company and providing hosting and fully managed services to community participants and casino site operators. As part of the acquisition of the shares of ECM, the Company will acquire hardware and software related to the provision of hosting and Fully Managed Services ("FMS") as well as the staff and office in Singapore.

Off Balance Sheet Arrangements

As at January 31, 2008, the Company has not entered into any off balance sheet arrangements

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, short term investments, accounts receivable, accounts payable and accrued liabilities, and income taxes receivable. The fair values of these financial instruments approximate their carrying values, except as noted below. It is management's opinion that the Company is not exposed to significant interest risk. The Company's credit risk lies in its accounts receivable where the balances due reflect a concentration among a relatively small number of accounts. The Company's short term investments consist primarily of investments in low risk corporate and government bonds as well as equity and equity funds.

Most of the Company's revenue is earned in foreign currencies and is exposed to currency fluctuations. The Company will engage from time to time in currency hedging. As of January 31, 2008, the Company had entered into one Euro denominated foreign exchange collar.

Other MD&A Requirements

The Company evaluated the effectiveness and design of its disclosure controls and procedures for the period ended January 31, 2008, and based on this evaluation (which included testing of the key controls by examining evidence demonstrating their existence on a test basis) have determined these controls to be effective.

The Corporation's financial reporting procedures and practices have enabled the certification of Chartwell Technology Inc.'s annual filings in compliance with Multilateral Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". Management has designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

statements and other annual filings in accordance with Canadian Generally Accepted Accounting Principles, except as noted below.

Given the size of the Company, the evaluation of the design of internal controls over financial reporting for the Company resulted in the identification of the following weaknesses:

Management is aware that due to its relatively small scale of operations there is a lack of segregation of duties due to a limited number of employees dealing with accounting and financial matters. However, management has concluded that considering the employees involved and the control procedures in place, including management and Audit Committee oversight, risks associated with such lack of segregation are not significant enough to justify the expense associated with adding employees to clearly segregate duties.

Management is aware that in-house expertise to deal with complex taxation, accounting and reporting issues may not be sufficient. The Company requires outside assistance and advice on new accounting pronouncements and complex accounting and reporting issues, which is common with companies of a similar size.

There have been no significant changes to the Company's internal control over financial reporting that occurred during the most recent period that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company has 18,852,689 common shares outstanding at March 13, 2008. If all of the Company's options were exercised, the Company would have 21,088,023 common shares outstanding.

The Company's 2007 Annual Information Form is available on www.sedar.com.