



Chartwell Technology Inc.

Interim Consolidated Financial Statements
For the three and six months ended April 30, 2005

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Balance Sheets

	April 30, 2005 (unaudited)	October 31, 2004 (audited)
Assets		
Current assets:		
Cash	\$ 2,964,176	\$ 5,995,863
Short term investments	18,789,885	3,318,286
Accounts receivable	3,086,132	1,916,309
Deferred set-up expense	78,238	58,585
Prepaid expenses and deposits	298,526	230,632
Notes receivable	126,665	117,873
Future income tax asset (note 4)	336,200	115,000
Total Current Assets	25,679,822	11,752,548
Due from related parties (note 6)	153,373	178,961
Property and equipment	744,399	431,824
Deferred software development costs	490,242	607,900
Deferred set-up expense	126,993	68,186
Deposits - long term	912,975	-
Notes receivable	180,573	180,573
Future Income tax asset (note 4)	228,077	929,964
Goodwill	811,666	811,666
	\$29,328,120	\$14,961,622
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 720,149	\$ 708,900
Income tax payable	651,378	-
Current portion of obligations under capital lease	16,074	15,640
Deferred revenue	499,285	478,952
Total Current Liabilities	1,886,886	1,203,492
Deferred revenue	586,116	615,748
Obligations under capital lease	12,646	20,793
Shareholders' equity:		
Share capital (note 2 (b))	27,435,092	16,502,188
Contributed surplus (note 3)	821,808	102,572
Accumulated deficit	(1,414,428)	(3,483,171)
Total Shareholders' Equity	26,842,472	13,121,589
	\$29,328,120	\$14,961,622

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Statements of Income and Deficit
(unaudited)

	Three months ended April 30,		Six Months ended April 30,	
	2005	2004	2005	2004
Revenue:				
Software license fees	\$ 3,629,580	\$ 2,699,462	\$ 8,251,302	\$ 4,638,661
Software set-up fees	124,803	190,513	239,533	405,449
Interest and other	122,281	25,658	201,058	69,366
	<u>3,876,664</u>	<u>2,915,633</u>	<u>8,691,893</u>	<u>5,113,476</u>
Expenses:				
Software development and support	1,319,500	1,005,728	2,644,778	2,007,595
General and administrative	226,901	715,516	685,153	1,195,174
Sales and marketing	551,388	288,664	1,151,016	580,110
Stock-based compensation	90,730	-	208,493	-
Depreciation and amortization	67,729	53,431	103,742	87,964
Amortization of deferred software development costs	58,828	-	117,658	-
Foreign currency gain	(15,156)	(77,764)	(34,874)	(119,194)
	<u>2,299,920</u>	<u>1,985,575</u>	<u>4,875,966</u>	<u>3,751,649</u>
Income from operations	1,576,744	930,058	3,815,927	1,361,827
Income taxes:				
Current income tax expense	(101,447)	431,940	651,378	476,940
Future income tax expense (recovery)	744,159	(465,430)	744,159	(465,430)
	<u>642,712</u>	<u>(33,490)</u>	<u>1,395,537</u>	<u>11,510</u>
Net income	934,032	963,548	2,420,390	1,350,317
Deficit, beginning of period	(2,348,460)	(7,118,183)	(3,483,171)	(7,504,952)
Stock based compensation (note 1(a))	-	-	(351,647)	-
Deficit, end of period	\$ (1,414,428)	\$ (6,154,635)	\$ (1,414,428)	\$ (6,154,635)
Net income per share:				
Basic	\$ 0.05	\$ 0.07	\$ 0.14	\$ 0.10
Diluted	\$ 0.05	\$ 0.06	\$ 0.12	\$ 0.09
Weighted-average shares basic	18,269,771	13,920,417	17,706,057	13,920,417
Weighted-average shares diluted	20,076,090	15,607,694	19,363,174	15,607,694

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Statements of Cash Flows
(unaudited)

	Three Months ended April 30,		Six Months ended April 30,	
	2005	2004	2005	2004
Cash provided by (used in):				
Operations:				
Funds from operations:				
Net income	\$ 934,032	\$ 963,548	\$ 2,420,390	\$ 1,350,317
Depreciation and amortization	67,729	53,431	103,742	87,964
Amortization of deferred software development costs	58,828	-	117,658	-
Stock-based compensation	90,730	-	208,493	-
Notes receivable	(4,324)	-	(8,792)	-
Due from related parties	29,907	-	29,907	-
Interest income capitalized	(2,138)	(2,035)	(4,319)	(4,087)
Contracts acquired on acquisition		25,000		25,000
Future income tax reduction	(8,666)	(33,490)	744,159	11,510
	1,166,098	1,006,454	3,611,238	1,470,704
Change in non-cash working capital:				
Accounts receivable	320,792	(492,976)	(1,169,823)	(180,312)
Due from related parties		-		20,000
Deferred set-up expense	(91,914)	19,243	(78,460)	48,870
Prepaid expenses and deposits	(118,978)	(52,728)	(67,894)	(56,130)
Deferred revenue	5,506	(187,173)	(9,299)	(279,641)
Accounts payable and accrued liabilities	(204,448)	(16,752)	11,249	114,793
Income tax payable	651,378		651,378	
	562,336	(730,386)	(662,849)	(332,420)
	1,728,434	276,068	2,948,389	1,138,284
Financing:				
Issue of shares for cash	352,424	472,244	11,581,305	587,604
Share issue costs	-	-	(752,777)	-
Repayment of lease obligations	(3,716)	37,875	(7,713)	35,973
	348,708	510,119	10,820,815	623,577
Investments:				
Purchase of short term investments	(5,105,829)	(19,605)	(15,471,599)	(1,549,918)
Purchase of property and equipment	(308,840)	(127,250)	(416,317)	(312,685)
Deferred software development costs	-	(175,000)	-	(175,000)
Deposit for acquisition	(912,975)		(912,975)	
	(6,327,644)	(321,855)	(16,800,891)	(2,037,603)
Increase (decrease) in cash	(4,250,502)	464,332	(3,031,687)	(275,742)
Cash, beginning of period	7,214,678	2,725,046	5,995,863	3,465,120
Cash, end of period	\$ 2,964,176	\$ 3,189,378	\$ 2,964,176	\$ 3,189,378
Supplemental cash flow information:				
Cash interest received	\$ 72,128	\$ 23,623	\$ 187,947	\$ 65,279
Cash interest paid	596	826	911	1,123

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements

For the six months ended April 30, 2005

(unaudited)

1. Significant accounting policies:

These consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies that were used for the consolidated financial statements for the year ended October 31, 2004. Certain prior period figures have been reclassified for consistency of presentation. These consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended October 31, 2004.

Stock based compensation:

Effective November 1, 2004, the Company retroactively adopted, without restatement, the new Canadian accounting standards for stock based compensation to employees and directors. In accordance with these standards, the Company recognizes, at the grant date, the compensation cost of stock options granted to employees and directors, measured at fair value and expensed over the option vesting period, with a corresponding increase to contributed surplus. Upon exercise of the option, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company has recorded an adjustment of \$351,647 to beginning deficit at November 1, 2004 to reflect the cumulative effect of the value of the options granted to employees and directors from November 1, 2002 to October 31, 2004. The Company also recorded a reduction to contributed surplus of \$25,832 representing the fair value of options exercised in in the second quarter. The fair value of stock options granted to consultants are being expensed on a straight line basis over the vesting period of the option grant.

2. Share capital:

(a) Authorized:

100,000,000 common shares without par value.

(b) Issued & outstanding:

	Shares	Amount
Balance, October 31, 2004	16,022,966	\$16,502,188
Issued for cash on Private Placement financing	2,365,592	11,000,002
Issue costs	-	(752,777)
Income tax effect of issue costs	-	263,472
Compensation options issued to Underwriters	-	(184,928)
Issued for cash on exercise of stock options	398,630	581,303
Contributed surplus of options exercised		25,832
	2,764,222	\$10,932,904
Balance, April 30, 2005	18,787,188	\$27,435,092

The weighted average number of shares outstanding for the quarter were 18,269,771 (2004 - 13,920,417). Diluted shares of 20,076,090 (2004 - 15,607,694) reflect the dilutive effect of the exercise of the outstanding options.

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(c) Continuity of options:

	Number	Weighted average exercise price
Outstanding, October 31, 2004	2,355,834	\$ 1.49
Granted	428,936	\$ 7.71
Exercised	(398,630)	\$ 1.45
Outstanding, April 30, 2005	2,386,140	\$ 2.61

3. Contributed surplus:

Balance, October 31, 2004	\$ 102,572
Retroactive application of stock-based compensation expense	351,647
Stock-based compensation expense	208,493
Stock-based compensation expense of options issued to Underwriters	184,928
Contributed surplus of options exercised	(25,832)
Balance, April 30, 2005	\$ 821,808

4. Future income tax asset:

Balance, October 31, 2004	\$ 1,044,964
Income tax effect of share issue costs	263,472
Future tax expense	(744,159)
Balance, April 30, 2005	\$ 564,277

CHARTWELL TECHNOLOGY INC.

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5. Segmented information:

The Company has aggregated its Canadian, Belize and Malta operating segments into one reporting segment. The Company's software set-up and license fees are from domestic and foreign entities and originate from the following countries of operations:

2005	Three months ended April 30			
	Malta	Canada	Belize	Total
Software set-up fees		\$ -	\$ 124,803	\$ 124,803
Software license fees		\$ 24,949	\$ 3,604,631	\$ 3,629,580
Total assets	\$ 77,010	\$ 24,037,329	\$ 5,213,781	\$ 29,328,120

2005	Six months ended April 30			
	Malta	Canada	Belize	Total
Software set-up fees		\$ -	\$ 239,533	\$ 239,533
Software license fees		\$ 49,319	\$ 8,201,983	\$ 8,251,302
Total assets	\$ 77,010	\$ 24,037,329	\$ 5,213,781	\$ 29,328,120

2004	Three months ended April 30			
	Malta	Canada	Belize	Total
Software set-up fees		\$ -	\$ 190,513	\$ 190,513
Software license fees		\$ 55,516	\$ 2,643,946	\$ 2,699,462
Total assets		\$ 7,028,835	\$ 4,835,583	\$ 11,864,418

2004	Six months ended April 30			
	Malta	Canada	Belize	Total
Software set-up fees		\$ -	\$ 405,449	\$ 405,449
Software license fees		\$ 112,307	\$ 4,526,354	\$ 4,638,661
Total assets		\$ 7,028,835	\$ 4,835,583	\$ 11,864,418

6. Related party transactions:

For the quarter ended April 30, 2005, the Company incurred legal fees of \$15,000 and consulting fees of \$41,250 to certain directors and officers of the Company in the normal course of business. These transactions were paid in Canadian dollars and recorded in general and administrative and sales and marketing expenses. Amounts due from related parties of \$153,373 consist of amounts due from certain Company officers, directors and employees. Of this amount \$151,235 bears 6% interest, is secured by 189,200 common shares of the Company and has no set terms of repayment.

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7. Subsequent event:

On May 20, 2005, the Company acquired all of the issued and outstanding shares of MICROPOWER Corporation of Gibraltar ("MICROPOWER") for approximately \$4,000,000 in cash and additional contingent consideration not to exceed \$500,000 in cash and 55,000 shares of the Company. The contingent consideration is performance based and subject to the achievement of certain new MICROPOWER sales opportunities.