



Chartwell Technology Inc.

Interim Consolidated Financial Statements
For the three and six months ended April 30, 2007

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Balance Sheets

	April 30, 2007 (Unaudited)	October 31, 2006
Assets		
Current assets:		
Cash	\$ 3,782,791	\$ 1,626,617
Short term investments	10,035,820	11,147,309
Accounts receivable	4,157,029	5,670,997
Deferred set-up expense	74,412	99,133
Prepaid expenses and deposits	472,064	649,506
Notes receivable	-	280,300
Future income tax asset (note 5)	24,165	24,100
Total current assets	18,546,281	19,497,962
Due from related parties (note 7)	172,286	167,492
Property and equipment	2,152,207	1,415,590
Intangible assets	2,426,715	1,291,093
Goodwill	2,749,317	2,749,317
Deferred software development costs	3,301,194	3,385,388
Deferred set-up expense	12,845	37,693
Notes receivable	-	662,313
Future income tax asset (note 5)	805,814	229,739
Prepaid expenses and deposits	47,859	6,444
	\$30,214,518	\$29,443,031
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,094,140	\$ 1,363,142
Income taxes payable	248,625	70,268
Current portion of obligations under capital lease	-	5,711
Deferred revenue	221,289	284,779
Total current liabilities	1,564,054	1,723,900
Deferred revenue	165,626	280,526
Shareholders' equity:		
Share capital (note 3)	27,342,113	27,155,073
Contributed surplus (note 4)	1,955,862	1,698,924
Deficit	(813,137)	(1,415,392)
Total Shareholders' equity	28,484,838	27,438,605
	\$30,214,518	\$29,443,031

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,	
	2007	2006	2007	2006
Revenue:				
Software license fees	\$ 5,334,272	\$ 4,448,947	\$ 10,623,383	\$ 8,724,085
Software set-up fees	55,043	64,724	110,115	115,245
Service fees	52,547	-	52,547	-
Interest and other	120,362	242,923	273,981	357,959
	5,562,224	4,756,594	11,060,026	9,197,289
Expenses:				
Software development and support	2,356,977	1,740,011	4,826,505	3,534,937
Sales and marketing	715,500	544,990	1,639,854	1,125,016
General and administrative	1,291,767	1,649,693	2,312,560	2,197,269
Amortization of deferred software development costs	284,260	58,829	455,806	117,658
Stock-based compensation	139,210	171,230	272,393	394,988
Depreciation and amortization	186,583	99,811	301,963	194,564
Amortization of intangible assets	204,542	123,242	327,784	246,484
Foreign currency loss	298,400	44,854	25,543	176,741
	5,477,239	4,432,660	10,162,408	7,987,657
Income before income taxes	84,985	323,934	897,618	1,209,632
Income taxes:				
Current income tax expense (recovery)	240,553	-30,956	871,503	414,398
Future income tax expense (reduction)	-263,148	254,219	(576,140)	191,113
	-22,595	223,263	295,363	605,511
Net income	107,580	100,671	602,255	604,121
Deficit, beginning of period	(920,717)	(251,140)	(1,415,392)	(339,198)
Repurchase of common shares	-	(753,040)	-	(1,168,432)
Deficit, end of period	\$ (813,137)	\$ (903,509)	\$ (813,137)	\$ (903,509)
Net income per share:				
Basic	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03
Diluted	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03
Weighted-average shares basic	18,360,342	18,615,480	18,333,664	18,718,935
Weighted-average shares diluted	18,795,968	19,291,475	18,785,015	19,413,715

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,	
	2007	2006	2007	2006
Cash provided by (used in):				
Operations:				
Funds from operations:				
Net income	\$ 107,580	\$ 100,671	\$ 602,255	\$ 604,121
Unrealized foreign exchange losses	62,983	89,130	39,020	89,130
Depreciation and amortization	186,583	99,811	301,963	194,564
Amortization of deferred software development costs	284,260	58,829	455,806	117,658
Amortization of intangible assets	204,542	123,242	327,784	246,484
Stock-based compensation	139,210	171,230	272,393	394,988
Interest income capitalized	(2,370)	(2,281)	(4,794)	(4,593)
Fair value adjustment of notes receivable (note 2)	97,668	-	97,668	-
Future income tax expense (reduction)	(263,148)	254,219	(576,140)	191,113
	817,308	894,851	1,515,955	1,833,465
Change in non-cash working capital:				
Accounts receivable	339,481	395,761	1,474,948	(297,020)
Deferred set-up expense	24,785	31,679	49,569	27,128
Prepaid expenses and deposits	6,551	(188,391)	136,027	(127,281)
Notes receivable	271,574	(86,867)	254,106	33,852
Deferred revenue	(39,618)	293,765	(178,390)	346,369
Accounts payable and accrued liabilities	(283,357)	(407,208)	(269,002)	(132,030)
Income tax payable	(381,783)	(30,956)	178,357	(1,575,324)
	(62,367)	7,783	1,645,615	(1,724,306)
	754,941	902,634	3,161,570	109,159
Financing:				
Issue of shares for cash	171,585	392,218	171,585	409,452
Repurchase of shares for cash	-	(1,227,361)	-	(1,880,096)
Payment to Honeycomb Holdings Limited	-	-	-	(612,710)
Repayment of lease obligations	-	(2,663)	(5,711)	(6,709)
	171,585	(837,806)	165,874	(2,090,063)
Investments:				
Redemption (purchase) of short term investments	826,851	1,294,567	1,111,489	3,962,127
Purchase of property and equipment	(30,808)	(108,596)	(437,309)	(441,789)
Business acquisition of Poker Community Management (note 2)	(1,473,838)	-	(1,473,838)	-
Deferred software development costs	(168,853)	(597,172)	(371,612)	(1,063,537)
	(846,648)	588,799	(1,171,270)	2,456,801
Increase (decrease) in cash	79,878	653,627	2,156,174	475,897
Cash, beginning of period	3,702,913	3,723,520	1,626,617	3,901,250
Cash, end of period	\$ 3,782,791	\$ 4,377,147	\$ 3,782,791	\$ 4,377,147
Supplemental cash flow information:				
Interest received	\$ 114,603	\$ 107,011	\$ 241,955	\$ 204,524
Interest paid	147	-	572	267
Taxes paid	70,809	1,989,722	693,145	1,989,722

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements

For the six months ended April 30, 2007

(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, 2006, except for the changes made to adopt to the new accounting standards as described in the following paragraph. 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, 2006.

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

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 the three and six months ended April 30, 2007. The adoption of these new sections had no impact.

The following new accounting standards will be adopted November 1, 2007: *Financial Instruments - Disclosures*, *Financial Instruments - Presentation* and *Capital Disclosures*. These standards will require the Company to provide additional disclosure relating to its financial instruments, including hedging instruments, and about its equity. It is not anticipated that the adoption of these new accounting standards will impact the amounts in the Company's financial statements as they primarily relate to disclosure.

2. Business acquisition:

Effective February 5, 2007, the Company acquired all of the assets of PokerNexus Community Management business from Elite Club Management N.V. (ECM) for US\$1,840,967 consisting of US\$1,255,729 of cash and US\$502,214 in eliminated payable to the Company from ECM. The note payable from ECM that was eliminated with the acquisition was valued at the fair market value at the time of the acquisition.

The acquisition has been accounted for using the purchase method and the results of operations are included in the consolidated statement of income from the date of acquisition. The following table summarizes the preliminary estimated fair value of the assets acquired at the date of acquisition and is subject to change:

Fair value of net assets acquired:	CAD
Capital assets	601,271
Customer contracts	1,347,186
Intellectual property	116,220
	\$ 2,064,677
Consideration:	
Cash	\$ 1,473,838
Elimination of Notes Receivable from ECM	590,839
	\$ 2,064,677

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements

For the six months ended April 30, 2007

(unaudited)

3. Share capital:

(a) Authorized:

100,000,000 common shares without par value.

(b) Issued & outstanding:

	Number of Shares	Amount
Balance, October 31, 2006	18,682,855	\$27,155,073
Issued for cash on exercise of stock options	113,334	171,585
Transfer from contributed surplus on options exercised	-	15,455
	113,334	187,040
Balance, April 30, 2007	18,796,189	\$27,342,113

The weighted average number of shares outstanding for the quarter were 18,360,342 (2006 - 18,615,480). Diluted shares of 18,795,968 (2006 - 19,291,475) reflect the dilutive effect of the exercise of the outstanding options.

(c) Continuity of options:

	Number	Weighted average exercise price
Outstanding, October 31, 2006	1,722,068	\$ 2.58
Granted	617,000	2.05
Exercised	(113,334)	1.51
Forfeited	-206,000	4.96
Outstanding, April 30, 2007	2,019,734	\$ 2.24

4. Contributed surplus:

Balance, October 31, 2006	\$ 1,698,924
Stock-based compensation expense	272,393
Transferred to share capital on exercise of options	(15,455)
Balance, April 30, 2007	\$ 1,955,862

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5. Future income tax asset:

Balance, October 31, 2006	\$	253,839
Current period tax reduction		576,140
Balance, April 30, 2007	\$	829,979

6. Segmented information:

The Company has aggregated its operating segments (North America and Europe) into one reporting segment as management has determined that the nature of the operations in each segment meets the aggregation criteria specified by Canadian standards. The Company's software set-up and license fees are from domestic and foreign entities and originate from the following areas of operations:

Three months ended April 30, 2007	North America	Europe	Total
Software set-up fees	-	55,043	55,043
Software license fees	2,576	5,331,696	5,334,272
Total assets	16,438,993	13,775,525	\$ 30,214,518

Six months ended April 30, 2007	North America	Europe	Total
Software set-up fees	-	110,115	110,115
Software license fees	5,188	10,618,195	10,623,383
Total assets	16,438,993	13,775,525	\$ 30,214,518

Three months ended April 30, 2006	North America	Europe	Total
Software set-up fees	-	64,724	64,724
Software license fees	23,350	4,425,597	4,448,947
Total assets	17,064,913	13,132,719	\$ 30,197,632

Six months ended April 30, 2006	North America	Europe	Total
Software set-up fees	-	115,245	115,245
Software license fees	47,059	8,677,026	8,724,085
Total assets	17,064,913	13,132,719	\$ 30,197,632

7. Related party transactions

For the three and six months ended April 30, 2007, the Company incurred and paid consulting fees to certain directors and officers of the Company in the normal course of business of \$56,000 and \$113,000 as compared to \$41,000 and \$82,000 in the comparable period in 2006. In the three and six months ended April 30, 2006, legal fees of \$15,000 and \$30,000 were paid 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 a related party of \$172,000 as of April 30, 2007 as compared to \$167,000 consist of amounts due from a Company officer who is also a director. The balance bears 6% interest, is secured by 189,200 common shares of the Company and has no set terms of repayment.