



CHARTWELL TECHNOLOGY INC.

**Management's Discussion and Analysis of Financial Condition and Results of Operations
for the three and six months ended April 30, 2008 and 2007.**

June 11, 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 securities legislation. 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 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. 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. 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.

Software set-up fee revenue and the related costs for the initial design, construction and implementation of the gaming software are recognized ratably over the initial term of the contract.

Service revenue is generated from a variety of activities including custom software development and network administration services. Software development fees are fees that the Company charges for custom software development and are recognized on a percentage of completion basis. The Company provides network administration services for fixed monthly rates and these fees are reported along with service fees on an accrual basis during the period of service. Following the acquisition of Elite Club Management N.V. (ECM), the Company now includes hosting and fully managed services revenue in its consolidated service revenue. Hosting fees are fixed monthly fees and are recorded in service revenue on an accrual basis. Fully managed services are offered to software licensees whereby the Company offers first level customer support and payment processing. The fully managed services fees are based on the participants' level of activity and are recognized on an accrual basis. Prior to the ECM acquisition, and following the Poker Community Management Business acquisition in February of 2007, the company recognized Poker community management service revenue. This revenue was for the management of the Poker community for the benefit of ECM sub-licensees, and following the acquisition of ECM, is no longer recognized on a consolidated basis.

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, first level support for fully managed services customers of the Poker community, second level support for both casino and poker 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 charges are based on the estimated useful life of the respective assets and include the amortization of deferred software development costs and intangible 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 and six months ended April 30, 2008 was \$7.0 and \$12.8 million compared to \$5.6 and \$11.1 million for the same periods a year earlier. Net income was \$1.1 and \$2.0 million for the three and six months ended April 30, 2008 as compared to \$0.1 and \$0.6 million for the same period in the prior year with basic and fully diluted earnings per share of \$0.05 in the second quarter and \$0.10 for the first two quarters of 2008. This compares to \$0.01 in the second quarter of 2007 and \$0.04 for the six months ended April 30, 2007 for both basic and diluted earnings per share.

Total expenses declined by 3.0% in the second quarter as compared to the second quarter of 2007. This decrease is the result of significantly reduced sales and marketing and general and administration and a foreign exchange gain versus a foreign exchange loss in the comparable period of 2007, offset by additional expenses from the ECM acquisition and a higher tax expense from greater pre-tax profits. Despite the addition of the salary expense and general overhead from the ECM acquisition that was effective from the start of the quarter, the combined total of software development and support, sales and marketing, and general and administrative expense were only marginally higher than the second quarter of 2007 by \$61,000.

In the second quarter, the Company continued to deploy the last major release that also included a suite of 13 new games, the development of which was completed late in the last fiscal year. In addition to the deployment of these new games, the Company completed development in the quarter of an additional four new Casino games (three of which are new slots and one casual game) as well as continued the development on an additional four Casino games (two 30 line slots and two casual games) which will be complete in the third quarter. All of these new games will be deployed once development is complete.

In the quarter, Chartwell announced a new licensee, Spielbanken Niedersachsen GmbH (SNG), the exclusive Lower Saxony state licensed and regulated Casino operator, confirming Chartwell's position at the forefront of the regulated online gaming industry.

The Poker community PokerNexus continues to grow through this seasonally strong quarter. The community achieved record numbers of concurrent users and added a Casino licensee into the Poker community.

In the second quarter of 2008 the Company acquired Elite Club Management N.V. (ECM). Through this acquisition, the Company gained the Fully Managed Services (FMS) line of business as well as a base upon which to expand in Asia. Expanding the level and quality of service is an area of focus for the Company in terms of services available to existing stand-alone licensees, FMS clients, as well as services required for prospective new clients.

Chartwell maintains a strong balance sheet. At April 30, 2008 the Company had cash and short-term investments of \$18.8 million, working capital (defined as current assets less current liabilities) of \$22.0 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.

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Revenue								
Software license fees	\$6,459	\$5,582	\$4,651	\$5,019	\$5,334	\$5,289	\$4,367	\$4,383
Software set-up fees	43	25	45	81	55	55	111	69
Service fees	340	29	74	61	53	6	-	-
Interest and other	142	139	122	109	120	147	224	211
	<u>6,984</u>	<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>
Expenses								
Software development and support	2,833	2,305	2,182	2,439	2,357	2,470	2,394	2,141
Sales and marketing	603	745	663	740	716	924	618	566
General and administrative	989	788	1,124	775	1,292	1,021	1,502	841
Amortization of deferred software development costs	288	288	238	248	284	172	58	59
Impairment of deferred software development costs	-	-	543	-	-	-	-	-
Stock-based compensation	371	139	108	(149)	139	133	139	89
Depreciation and amortization	211	173	224	201	187	115	117	114
Amortization of intangible assets	122	122	171	245	205	123	124	123
Impairment of intangible assets	-	-	872	-	-	-	-	-
Foreign currency loss (gain)	(104)	(67)	439	237	298	(273)	48	(68)
	<u>5,313</u>	<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>
Net income (loss) before taxes	1,671	1,283	(1,672)	534	84	813	(298)	798
Income tax expense (recovery)	621	353	(578)	130	(23)	318	(77)	322
Net income (loss)	<u>\$1,050</u>	<u>\$930</u>	<u>(\$1,094)</u>	<u>\$404</u>	<u>\$107</u>	<u>\$495</u>	<u>(\$221)</u>	<u>\$476</u>
Basic earnings per share	\$0.05	\$0.05	(\$0.07)	\$0.03	\$0.01	\$0.03	(\$0.01)	\$0.03
Diluted earnings per share	\$0.05	\$0.05	(\$0.07)	\$0.03	\$0.01	\$0.03	(\$0.01)	\$0.03

QUARTERLY RESULTS

FOR THE THREE AND SIX MONTHS ENDED APRIL 30, 2008 COMPARED TO THE THREE AND SIX MONTHS ENDED APRIL 30, 2007.

Revenue

In the three and six months ended April 30, 2008, total revenue increased by 25.6% and 15.4% to \$7.0 million and \$12.8 million compared to \$5.6 million and \$11.1 million in the same periods of 2007. The increase in total revenue in both periods was mainly due to an increase in software license fees, but also from increased services revenue as a result of the Elite Club Management N.V. (ECM) acquisition.

Software license fees increased by 21.1% and 13.3% to \$6.5 million and \$12.0 million in the three and six months ending April 30, 2008 over the comparable periods in 2007. Licensing from our Casino product grew by 15.4% and 7.4%, while licensing from our Poker product grew by 87.8% and 90.7% in the three and six months ended April 30, 2008 compared to the same period in 2007. Poker represented 12.2% and 12.0% in the three and six months ended April 30, 2008, as compared to 7.9% and 7.1% in the same periods in 2007. The quarter over quarter increase in software license revenue is due to organic growth from existing customers as well as growth from new licensees, and came despite periods of overall lower average exchange rates to the Canadian dollar in both the three and six months ended April 30, 2008, over prior year periods.

Software set-up fees decreased by 22.3% and 38.0% to \$43,000 and \$68,000 from \$55,000 and \$110,000 for the three and six months ended April 30, 2008 and 2007, respectively. The decrease is due to the initial contract term expiring for customers for whom set-up fees were being recognized.

Service fee revenue now includes the results of ECM acquisition and the Fully Managed Services (FMS) line of service revenue. FMS revenue added \$274,000 in services revenue in the second quarter of 2008.

Interest and other income increased by 17.8% to \$142,000 in the three months ended April 30, 2008, and decreased by 8.7% to \$250,000 as compared to the six months ended the same date. The decrease in the most recent six month period over the prior year is the result of the collection of notes receivable. Through the second quarter, the increased cash held as investments made up the difference in the interest on notes receivable no longer held.

Expenses

Total expenses decreased by 3.0% and 3.5% to \$5.3 and \$9.8 million for the three and six months ended April 30, 2008 compared to \$5.5 and \$10.2 million for the same periods of 2007. The modest total expense reduction comes from reduced cash operating expenses from the Company's existing businesses and foreign exchange gains being offset by including the FMS operating expenses following the ECM acquisition as well as higher stock based compensation expense and generally higher amortization charges.

SOFTWARE DEVELOPMENT AND SUPPORT

Software development and support expense increased by 20.2% and 6.4% to \$2.8 million and \$5.1 million for the three and six months ended April 30, 2008 compared to \$2.4 million and \$4.8 million for the same periods of 2007. No software development expenses were deferred in either the first or second quarters of 2008, compared to \$203,000 deferred in the first quarter and \$169,000 for the second quarter of 2007. Comparing software development and support expense before the deferred software development in the prior year, there was an increase of 12.2%, or \$307,000 in the second quarter of 2008, and a decrease of 1.2%, or \$61,000, in the first two quarters of 2008 as compared to the same periods in the prior year. The increase in software development and support expenses in the second quarter is the result of the increased expense in providing the FMS line of business following the acquisition of ECM.

As a percentage of revenue, software development and support expenses were 40.6% and 40.3% for the three and six months ended April 30, 2008 compared to 42.4% and 43.6% for the same periods in 2007, respectively.

SALES AND MARKETING

For the three and six months ended April 30, 2008, sales and marketing expenses decreased by 15.7% and 17.8% to \$603,000 and \$1.3 million from \$716,000 and \$1.6 million in the same periods of 2007. The decrease is due to reduced salary expense as well as reduced rent and overall operating costs as the Company focused its sales and marketing efforts out of Malta to be closer to the majority of our customers.

As a percentage of revenue, sales and marketing expenses decreased to 8.6% and 10.6% from 12.9% and 14.8% for the three and six months ended April 30, 2008 from the same periods in 2007, respectively.

GENERAL AND ADMINISTRATIVE

For the three and six months ended April 30, 2008, general and administrative expenses decreased by 23.4% and 23.1% to \$1.0 million and \$1.8 million from \$1.3 and \$2.3 million in the same periods of 2007. In the second quarter of 2008 over the same period in 2007, the Company had comparable salary expense despite the addition of administrative staff following the ECM acquisition, as well as generally higher professional fees as a result of managing numerous corporate initiatives that included establishing the legal framework for the LPJ and Bingo communities, implementing the shareholders rights plan and normal course issuer bid, as well as other general corporate initiatives. The above increase in expenses was offset by reduced consulting fees, and the fact that there was a non-recurring charge for the revaluation of a notes receivable in the comparable quarter in the prior year. For the six months ended April 30, 2008, the Company benefited from reduced salary, consulting and travel expenses over the comparable period in 2007.

As a percentage of revenue, general and administrative expenses decreased to 14.2% and 13.9% from 23.2% and 20.9% for the three and six months ended April 30, 2008 from the same periods in 2007, respectively.

AMORTIZATION OF DEFERRED SOFTWARE DEVELOPMENT COSTS

Amortization of deferred software development costs for the three and six months ended April 30, 2008 was \$288,000 and \$576,000 compared to \$284,000 and \$456,000 for the comparable periods in 2007. The increase in amortization reflects the amortization of deferred software development costs of version 2.0 of the Poker product. The majority of the deferred software development relates to version 2.0 of the Poker product, which builds on the intellectual property acquired in the acquisition of Micropower Corporation. Management has estimated the appropriate amortization period to be three years. While the Company continues to invest in developing the Poker, Casino and other products, it has not deferred any costs related to this development in fiscal 2008.

STOCK-BASED COMPENSATION

The Company recorded \$371,000 and \$510,000 of stock-based compensation expense for the three and six months ended April 30, 2008 compared to \$139,000 and \$272,000 for the comparable periods in 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. The year over year increase in this expense is due to additional options granted late in 2007 as well as the revaluation of options that were granted and unexercised to contractors that are revalued at quarter end where the share price was higher than in previous quarters.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expenses increased by 13.0% and 27.1% to \$211,000 and \$384,000 for the three and six months ended April 30, 2008 as compared to \$187,000 and \$302,000 in the similar periods of 2007. This increased depreciation is due to the assets acquired for the LPJ and Bingo communities as well as the assets acquired along with the acquisition of ECM. 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 relates to the customer contracts and intellectual property acquired in the acquisition of Micropower and the Poker Community Management business. The expense for the three and six months ended April 30, 2008 decreased to \$122,000 and \$244,000 from \$205,000 and \$328,000 for the same periods in 2007. The decrease in fiscal 2008 is the result of the Company eliminating the remaining balance of intangible assets resulting from the Micropower acquisition late in fiscal 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 the Company). The value recorded for intellectual property acquired from the Poker Community Management business 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 the Company.

FOREIGN CURRENCY GAIN

The Company recognized a foreign currency gain of \$104,000 and \$171,000 in the three and six months ended April 30, 2008 as compared to a foreign currency loss of \$298,000 and \$26,000 for the comparable periods of 2007. The foreign currency gains experienced in the second quarter of 2008 reflect foreign denominated amounts receivable translated into Canadian dollar equivalents at higher foreign exchange rates than in the past, as well as gains in the value of cash balances of foreign currencies as the Canadian dollar weakened against foreign currencies. The Company has begun actively hedging some of the foreign currency risk at the start of fiscal 2008.

PROVISION FOR INCOME TAXES

The income tax expense for the three and six months ended April 30, 2008 was \$621,000 and \$1.0 million, as compared to a tax recovery of \$23,000 and an expense of \$295,000 in the comparable periods of 2007. The increase in tax expense is attributable to higher pre-tax income in the three and six months ended April, 30 2008 compared to the similar periods of 2007.

EBITDA

EBITDA (defined as net income less interest, plus taxes, depreciation and amortization) increased by 233.2% and 127.7% to \$2.2 million and \$3.9 million in the three and six months ended April 30, 2008 from \$646,000 and \$1.7 million for the comparable period of 2007. The increase in the EBITDA is due to the same factors affecting net income, for reasons which are noted above.

EBITDA is reconciled to net income as follows:

in thousands of Canadian dollars

	Three months ended April 30,		Six months ended April 30,	
	2008	2007	2008	2007
Net income	\$1,050	\$108	\$1,980	\$602
Interest	(140)	(115)	(239)	(262)
Amortization of deferred software development	288	284	576	456
Depreciation and amortization	211	187	384	302
Amortization of intangible assets	122	205	244	328
Income tax	621	(23)	974	295
EBITDA	\$2,152	\$646	\$3,919	\$1,721

Net Income

Net income increased by 876.4% and 228.7% to \$1.1 million and \$1.9 million for the three and six months ended April 30, 2008 versus \$108,000 and \$602,000 for the three months ended April 30, 2007. Along with an increase in revenue, cash expenses declined significantly, the Company benefited from a foreign exchange gain, while amortization and other non-cash related expenses increased.

Basic and diluted earnings per share were \$0.05 for the three months ended April 30, 2008. For the six months ended April 30, 2008, basic and diluted earnings per share were \$0.10. In the three and six months ended April 30, 2007, basic and diluted earnings per share were both \$0.01 and \$0.04. The increase in earnings per share over the comparable periods in the prior year is the result of higher net income.

Liquidity and Capital Resources

Operating Activities

Operating cash flow for the three and six months ended April 30, 2008 was \$3.6 and \$5.0 million compared to \$755,000 and \$3.2 million for the same periods in 2007. Before adjustments due to working capital, cash flow from operations more than doubled in both periods to \$2.0 and \$3.6 million from \$817,000 and \$1.5 million. The increase reflects the higher net income despite higher amortization and other non-cash expenses as compared with the same periods in 2007.

Financing Activities

Cash flows used in financing activities were \$446,000 and \$442,000 for the three and six months ended April 30, 2008 compared to cash flows from financing activities of \$172,000 and \$166,000 for the same periods of 2007. The Company used cash in financing in 2008 as it commenced a Normal Course Issuer Bid and repurchased shares for cancellation. The Company did not repurchase any shares in the comparable period in 2007.

Investing Activities

Cash flows used in investing activities were \$4.6 and \$5.6 million in the three and six months ended April 30, 2008 and \$847,000 and \$1.2 million for the comparable periods of 2007. The Company's investing activities in the first two quarters of 2008 consisted mainly of the purchase of short term investments following the positive cash flow from operations, as well as the purchase of ECM and property and equipment. The Company did not defer any software development expense in 2008 as compared to deferring \$203,000 in the first quarter of 2007, and \$169,000 in the second quarter.

Contractual Obligations

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

2008	\$522,000
2009	\$950,000
2010	\$185,000
2011	\$ 63,000
2012	\$ 56,000
Thereafter	\$ 93,000

Related Party Transactions

For the three and six months ended April 30, 2008, the Company incurred legal fees to a certain director of the Company in the normal course of business of \$41,000 and \$42,000 as compared to \$146,000 in each of the comparable periods of 2007. The Company incurred sales and marketing consultancy fees to a certain director and officer of \$31,000 and \$62,000 as compared to the same amounts in the respective periods of 2007. In addition, general and administrative consulting fees of \$10,000 and \$21,000 to a certain director and officer as compared to \$25,000 and \$51,000 to a certain director and officer as well as a former officer in the respective periods in 2007. These transactions were measured at the exchange amount which approximate fair value and are recorded in software development, sales and marketing, and general administrative expenses. As at April 30, 2008, \$43,000 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 had 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 June 11, 2008, the Company has purchased 359,400 shares at an average cost of \$1.47 which it either has or 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, 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.

With the Canadian Accounting Standards Board's recent announcement that January 1, 2011 as the date International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for publicly accountable enterprises, the Company has been carefully evaluating its own implementation plan and assessing the impact the numerous accounting changes will have on the organization. As the final implementation date approaches, the Company will continue to monitor developments.

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 April 30, 2008.

Off Balance Sheet Arrangements

As at April 30, 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. It is management's opinion that the Company is not exposed to significant interest rate 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 obligations.

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 foreign exchange collars. As of April 30, 2008, the Company had entered into several Euro denominated foreign exchange collars.

Other MD&A Requirements

The Company evaluated the effectiveness and design of its disclosure controls and procedures for the period ended April 30, 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 18,572,523 common shares outstanding at June 11, 2008. If all of the Company's options were exercised, the Company would have 20,753,523 common shares outstanding.

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