



Chartwell Technology Inc.

Interim Consolidated Financial Statements
For the three and six months ended April 30, 2009

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Balance Sheets

(Unaudited)

	April 30, 2009	October 31, 2008
Assets		
Current assets:		
Cash	\$ 1,614,828	\$ 1,728,161
Short term investments	18,320,367	20,570,221
Accounts receivable (note 3)	4,333,676	3,023,196
Income tax receivable	127,470	250,990
Prepaid expenses and deposits	848,996	1,078,565
Deferred set-up expense	17,151	3,421
Foreign exchange contracts	-	26,991
Total current assets	25,262,488	26,681,545
Restricted cash (note 2)	141,060	344,491
Property and equipment	2,428,277	2,363,245
Intangible assets	406,246	650,404
Goodwill	3,106,177	3,106,177
Deferred software development costs	616,583	1,109,850
Deferred set-up expense	51,391	63,621
	\$ 32,012,222	\$ 34,319,333
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,250,013	\$ 2,908,617
Deferred revenue	52,566	93,606
Total current liabilities	2,302,579	3,002,223
Deferred revenue	94,454	112,252
Future income tax liability (note 6)	171,243	511,579
Shareholders' equity:		
Share capital (note 4)	26,799,585	26,988,340
Shares repurchased, pending cancellation	-	(27,630)
Contributed surplus (note 5)	2,682,039	2,495,347
Retained earnings (deficit)	(37,678)	1,237,222
Total shareholders' equity	29,443,946	30,693,279
Contingent liability (note 9)		
	\$ 32,012,222	\$ 34,319,333

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Statements of Income and Retained Earnings (Deficit)
(unaudited)

	Three Months ended April 30,		Six months ended April 30,	
	2009	2008	2009	2008
Revenue:				
Software license fees	\$ 4,253,113	\$ 6,459,327	\$ 8,553,371	\$ 12,041,454
Software set-up fees	42,296	42,783	63,239	68,220
Service fees	201,203	340,484	425,580	399,784
Interest and other	89,262	141,829	172,115	250,226
	4,585,874	6,984,423	9,214,305	12,759,684
Expenses:				
Software development and support	3,118,891	2,833,166	5,924,393	5,137,671
Sales and marketing	663,208	602,974	1,407,993	1,347,804
General and administrative	893,881	988,947	1,973,983	1,777,061
Amortization of deferred software development costs	246,634	288,183	493,267	576,366
Stock-based compensation	76,576	371,080	186,692	510,343
Depreciation and amortization	211,788	210,930	423,978	383,656
Amortization of intangible assets	122,208	121,950	244,158	243,901
Foreign currency (gain) loss	(20,358)	(103,753)	209,845	(171,200)
	5,312,828	5,313,477	10,864,309	9,805,602
Income (loss) before income taxes	(726,954)	1,670,946	(1,650,004)	2,954,082
Income taxes:				
Current income tax expense (recovery)	36,121	635,688	(41,745)	1,036,150
Future income tax reduction	(163,161)	(15,146)	(340,336)	(62,538)
	(127,040)	620,542	(382,081)	973,612
Net income (loss) and other comprehensive income (loss)	(599,914)	1,050,404	(1,267,923)	1,980,470
Retained earnings (deficit), beginning of period	562,236	(568,900)	1,237,222	(1,498,966)
Repurchase of common shares under Normal Course Issuer Bid	-	(2,930)	(6,977)	(2,930)
Retained earnings (deficit) end of period	\$ (37,678)	\$ 478,574	\$ (37,678)	\$ 478,574
Net income per share:				
Basic	\$ (0.03)	\$ 0.05	\$ (0.07)	\$ 0.10
Diluted	\$ (0.03)	\$ 0.05	\$ (0.07)	\$ 0.10
Weighted-average shares basic	18,451,123	18,883,127	18,455,011	18,862,194
Weighted-average shares diluted	18,451,123	20,017,606	18,455,011	19,996,674

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,	
	2009	2008	2009	2008
Cash provided by (used in):				
Operations:				
Funds from operations:				
Net income	\$ (599,914)	\$ 1,050,404	\$ (1,267,923)	\$ 1,980,470
Unrealized foreign exchange (gains) losses	24,563	(40,490)	79,520	(64,904)
Depreciation and amortization	211,788	210,930	423,978	383,656
Amortization of deferred software development costs	246,634	288,183	493,267	576,366
Amortization of intangible assets	122,208	121,950	244,158	243,901
Stock-based compensation	76,576	371,080	186,692	510,343
Future income tax reduction	(163,161)	(15,146)	(340,336)	(62,538)
Restricted cash	-	-	204,655	-
	(81,306)	1,986,911	24,011	3,567,294
Change in non-cash working capital:				
Accounts receivable	(1,045,400)	1,715,839	(1,310,480)	894,501
Deferred set-up expense	4,630	(28,064)	(1,500)	(14,245)
Prepaid expenses and deposits	4,442	(615,237)	229,569	(465,816)
Deferred revenue	(25,587)	(20,543)	(58,838)	(49,627)
Accounts payable and accrued liabilities	9,279	(98,474)	(658,604)	191,678
Income tax receivable	203,172	635,689	123,520	865,516
	(849,464)	1,589,210	(1,676,333)	1,422,007
	(930,770)	3,576,121	(1,652,322)	4,989,301
Financing:				
Issue of shares for cash	-	71,834	-	76,234
Repurchase of shares for cash	-	(518,298)	(168,102)	(518,298)
	-	(446,464)	(168,102)	(442,064)
Investments:				
Redemption (purchase) of short term investments	1,170,926	(3,909,835)	2,249,854	(4,723,828)
Purchase of property and equipment	(284,131)	(222,014)	(489,008)	(375,085)
Business acquisition of ECM	-	(551,350)	-	(551,350)
Holdback amount from acquisition	-	51,200	-	51,200
	886,795	(4,631,999)	1,760,846	(5,599,063)
Effect of foreign exchange rate changes on cash and cash equivalents	(13,068)	27,290	(53,755)	51,705
Decrease in cash and cash equivalents	(43,975)	(1,502,342)	(59,578)	(1,051,826)
Cash and cash equivalents, beginning of period	1,671,871	4,888,802	1,728,161	4,413,871
Cash and cash equivalents, end of period	\$ 1,614,828	\$ 3,413,750	\$ 1,614,828	\$ 3,413,750
Supplemental cash flow information:				
Interest received	\$ 109,292	\$ 131,484	\$ 172,115	\$ 217,945
Interest paid	241	-	330	-
Taxes paid	288,780	-	288,780	-

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements
For the six month periods ended April 30, 2009 and 2008
(unaudited)

1. Significant accounting policies:

Basis of presentation

These consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), using the same accounting policies that were used for the consolidated financial statements for the year ended October 31, 2008 except as noted below. 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, 2008.

New accounting policies

The CICA implemented revisions to standards dealing with Intangible Assets effective for fiscal years beginning on or after October 1, 2008. The revisions are intended to align the definition of an Intangible Asset in Canadian GAAP with that in International Financial Reporting Standards (IFRS) and U.S. GAAP. Section 1000 - Financial Statement Concepts was revised to remove material that permitted the recognition of assets that might not otherwise meet the definition of an asset and to add guidance from the IASB's Framework for the Preparation and Presentation of Financial Statements that will help distinguish assets from expenses. Section 3064 - Goodwill and Intangible Assets, which replaced Section 3062 - Goodwill and Other Intangible Assets, gives guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets. Section 3450 - Research and Development Costs will be withdrawn from the Handbook. The adoption of these new accounting standards did not impact the amounts in the Company's financial statements.

Future accounting changes

With the Canadian Accounting Standards Board's announcement that January 1, 2011 will be the date 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. The Company is now reviewing some of the differences and options available under IFRS and is continuing to assess the impact of IFRS on its financial statements.

In January 2009, the CICA issued the following Handbook Sections:

Section 1582 - Business Combinations. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the Company's first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted. This section replaces Section 1581, Business Combinations and harmonizes the Canadian standards with IFRS. The Company is currently evaluating the implications of this new Section on the consolidated financial statement.

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements
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1. Significant accounting policies (continued):

Section 1601 - Consolidated Financial Statements, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Early adoption is permitted. The Company is currently evaluating the implications of this new Section on the consolidated financial statement.

Section 1602 - Non-controlling Interests in Consolidated Financial Statements. This section specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. Section 1602 is effective for periods beginning on or after January 1, 2011. The Company currently has no non-controlling or minority interests so the adoption of this new Section is not expected to have an impact.

2. Restricted cash:

The restricted cash balance are funds held by the Courts of Malta pending the outcome of two separate lawsuits filed by one former client. See Note 9 - Contingent liability for further information.

3. Accounts receivable:

The Company's credit risk is primarily attributable to software license fees receivable. The Company typically extends credit for 30 days. Of the Company's accounts receivable, \$2,011,000 is over 30 days due. Management has not established an allowance for doubtful accounts and believes the full accounts receivable balance is collectible.

4. Share capital:

(a) Authorized:

100,000,000 common shares without par value.

(b) Issued and outstanding:

	Number of Shares	Amount
Balance, October 31, 2008	18,580,923	\$ 26,988,340
Cancelled on Normal Course Issuer Bid (d)	(129,800)	(188,755)
Balance, April 30, 2009	18,451,123	\$ 26,799,585

The weighted average number of shares outstanding for the period were 18,455,011 (2008 - 18,862,194). Diluted shares for the period ended April 30, 2008 were 19,996,674 and reflect the dilutive effect of the exercise of the outstanding options. For the three and six months ended April 30, 2009, the options are excluded from the diluted shares calculation as they would be anti-dilutive.

(c) Continuity of options:

	Number of options	Weighted average exercise price
Outstanding, October 31, 2008	2,196,000	\$ 1.97
Granted	315,000	1.54
Forfeited or expired	(428,000)	2.36
Outstanding, April 30, 2009	2,083,000	\$ 1.83

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(unaudited)

4. Share capital (continued):

(d) Normal Course Issuer Bid:

A Normal Course Issuer Bid (NCIB) was filed with the Toronto Stock Exchange on January 25, 2008, whereby the Company was permitted to purchase and cancel up to 1,725,000 of its common shares prior to February 1, 2009. During the six month period ended April 30, 2009, 110,800 shares were repurchased. The repurchase resulted in \$161,125 being recorded as a reduction to share capital and \$6,977 as a reduction to retained earnings. In addition, the 19,000 shares held for cancellation as at October 31, 2008 were cancelled in the six months ended April 30, 2009.

On March 26, 2009, the Company filed a NCIB with the Toronto Stock Exchange to replace the expired NCIB that had been filed on January 25, 2008. Under this NCIB, the Company is permitted to purchase and cancel up to 1,527,800 of its common shares prior to March 25, 2010. As at April 30, 2009, no common shares have been repurchased under this NCIB.

5. Contributed surplus:

Balance, October 31, 2008	\$	2,495,347
Stock-based compensation expense		186,692
Balance, April 30, 2009	\$	2,682,039

6. Future income tax liability:

Balance, October 31, 2008	\$	511,579
Current period tax reduction		(340,336)
Balance, April 30, 2009	\$	171,243

7. Segmented information:

The Company has one operating segment as management has determined that the nature of the operations meet the aggregation criteria specified by Canadian standards. The Company's software license fees, set-up fees, service fees and total assets are from domestic and foreign entities and originate from the following areas of operations:

Three months ended April 30, 2009	Asia	North America	Europe	Total
Software set-up fees	-	-	42,296	\$ 42,296
Software license fees	18,585	37,646	4,196,882	\$ 4,253,113
Service fees	-	1,694	199,509	\$ 201,203
Total assets	793,192	22,853,836	8,365,194	\$ 32,012,222
Six months ended April 30, 2009	Asia	North America	Europe	Total
Software set-up fees	-	-	63,239	\$ 63,239
Software license fees	34,338	74,584	8,444,449	\$ 8,553,371
Service fees	-	3,356	422,224	\$ 425,580
Total assets	793,192	22,853,836	8,365,194	\$ 32,012,222

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7. Segmented information (continued):

Three months ended April 30, 2008	Asia	North America	Europe	Total
Software set-up fees	-	-	42,783	\$ 42,783
Software license fees	769,835	20,367	5,669,125	\$ 6,459,327
Service fees	310,522	-	29,962	\$ 340,484
Total assets	939,341	2,912,631	28,852,580	\$ 32,704,552

Six months ended April 30, 2008	Asia	North America	Europe	Total
Software set-up fees	-	-	68,220	\$ 68,220
Software license fees	769,834	51,500	11,220,120	\$ 12,041,454
Service fees	310,522	-	89,262	\$ 399,784
Total assets	939,341	2,912,631	28,852,580	\$ 32,704,552

For the six months period ended April 30, 2009, three licenses (2008 - two), each of which provided more than 10% of the Company's total sales revenue, accounted for 56.5% (2008 - 34.4%) of the Company's software license fees revenue.

8. Related party transactions:

For the three and six months ending April 30, 2009, the Company incurred legal fees in the normal course of business of \$29,200 and \$34,800 respectively (2008: \$41,000 and \$42,000) from a firm in which a certain director of the Company is a partner. The Company also incurred sales and marketing consultancy fees of \$42,200 and \$84,400 (2008: \$31,000 and \$62,000) to a certain director and officer. In addition, general and administrative consultancy fees of \$21,700 and \$35,800 (2008: \$10,000 and \$21,000) were incurred to a certain director and officer. These transactions were measured at the exchange amount which approximates fair value and are recorded in software development, sales and marketing, and general administrative expenses. As at April 30, 2009, balances relating to legal fees of \$18,500 (2008: \$43,000) were recorded in accounts payable, while all other amounts have been paid.

9. Contingent liability:

As a result of two separate lawsuits filed by one of the Company's former clients in the Courts of Malta, a combined total of €5,000 is currently being held by the Courts.

Management is of the opinion that this claim is unfounded and that the possibility of a material liability is unlikely.
