



Chartwell Technology Inc.

Interim Consolidated Financial Statements
For the three and nine months ended July 31, 2006

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Balance Sheets

(unaudited)

	July 31, 2006	October 31, 2005
Assets		
Current assets:		
Cash	\$ 5,129,345	\$ 3,901,250
Short term investments	10,069,863	15,220,888
Accounts receivable	3,669,520	4,271,829
Deferred set-up expense	121,160	97,595
Prepaid expenses and deposits	603,674	332,990
Notes receivable	297,048	588,550
Future income tax asset (note 4)	36,411	56,026
Total Current Assets	19,927,021	24,469,128
Due from related party (note 6)	165,041	157,997
Property and equipment	1,513,374	1,182,194
Goodwill	2,749,317	2,749,317
Intangible assets	1,414,335	1,784,060
Deposits	15,411	15,411
Deferred software development costs	2,658,348	1,034,909
Deferred set-up expense	72,563	154,801
Notes receivable	644,846	356,649
Future income tax asset (note 4)	508,836	848,189
	\$29,669,092	\$32,752,655
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 902,565	\$ 550,300
Income taxes payable	568,437	1,989,722
Due to Honeycomb Holdings Limited	-	760,475
Current portion of obligations under capital lease	9,926	16,520
Deferred revenue	269,752	219,105
Total Current Liabilities	1,750,680	3,536,122
Deferred revenue	261,017	254,290
Due to Honeycomb Holdings Limited	-	110,750
Obligations under capital lease	-	4,273
Shareholders' equity:		
Share capital (note 2)	27,122,407	28,046,490
Contributed surplus (note 3)	1,610,690	1,139,928
Deficit	(1,075,702)	(339,198)
Total Shareholders' Equity	27,657,395	28,847,220
	\$29,669,092	\$32,752,655

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Statements of Income and Deficit
(unaudited)

	Three months ended July 31,		Nine Months ended July 31,	
	2006	2005	2006	2005
Revenue:				
Software license fees	\$ 4,382,620	\$ 4,027,705	\$ 13,106,704	\$ 12,279,007
Software set-up fees	69,515	347,886	184,760	587,419
Interest and other	210,702	132,228	568,661	333,286
	4,662,837	4,507,819	13,860,125	13,199,712
Expenses:				
Software development and support	2,141,259	1,753,896	5,676,197	4,398,674
General and administrative	841,381	417,829	3,038,650	1,102,982
Sales and marketing	565,959	488,285	1,690,973	1,639,301
Stock-based compensation	89,070	197,652	484,058	406,145
Depreciation and amortization	114,105	53,889	308,669	157,631
Amortization of deferred software development costs	58,829	58,829	176,487	176,487
Amortization of intangible assets	123,243	18,973	369,726	18,973
Foreign currency (gain) loss	(68,563)	338,169	108,178	303,295
	3,865,283	3,327,522	11,852,938	8,203,488
Income before income taxes	797,554	1,180,297	2,007,187	4,996,224
Income taxes:				
Current income tax expense	154,039	653,277	568,437	1,304,655
Future income tax expense (reduction)	167,855	(201,133)	358,968	543,026
	321,894	452,144	927,405	1,847,681
Net income	475,660	728,153	1,079,782	3,148,543
Deficit, beginning of period	(903,509)	(1,414,428)	(339,198)	(3,483,171)
Stock based compensation	-	-	-	(351,647)
Repurchase of common shares under Normal Course Issuer Bid	(647,853)	-	(1,816,286)	-
Deficit, end of period	\$ (1,075,702)	\$ (686,275)	\$ (1,075,702)	\$ (686,275)
Net income per share:				
Basic	\$ 0.03	\$ 0.04	\$ 0.06	\$ 0.18
Diluted	\$ 0.03	\$ 0.04	\$ 0.06	\$ 0.16
Weighted-average shares basic	18,477,077	18,507,592	18,638,316	17,976,172
Weighted-average shares diluted	18,729,319	20,056,064	19,066,909	19,633,964

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Interim Consolidated Statements of Cash Flows
(unaudited)

	Three Months ended July 31,		Nine Months ended July 31,	
	2006	2005	2006	2005
Cash provided by (used in):				
Operations:				
Funds from operations:				
Net income	\$ 475,661	\$ 728,153	\$ 1,079,782	\$ 3,148,543
Unrealized foreign exchange (gains) losses	10,894	151,960	10,894	151,960
Depreciation and amortization	114,105	53,889	308,669	157,631
Amortization of deferred software development costs	58,829	58,829	176,487	176,487
Amortization of intangible assets	123,243	18,973	369,726	18,973
Stock-based compensation	89,070	197,652	484,058	406,145
Due from related parties	-	-	-	29,907
Interest income capitalized	(2,451)	(2,312)	(7,044)	(6,631)
Future income tax expense (reduction)	167,855	(201,133)	358,968	543,026
	1,037,206	1,006,011	2,781,540	4,626,041
Change in non-cash working capital:				
Accounts receivable	696,220	(1,310,046)	488,330	(2,479,869)
Deferred set-up expense	31,545	(176,350)	58,673	(254,810)
Prepaid expenses and deposits	(143,403)	(21,719)	(270,684)	(89,613)
Notes receivable	(30,547)	(4,468)	3,305	(13,260)
Deferred revenue	(288,995)	(386,882)	57,374	(396,181)
Accounts payable and accrued liabilities	328,864	158,442	196,834	169,691
Income tax payable	154,039	653,277	(1,421,285)	1,304,655
	747,723	(1,087,746)	(887,453)	(1,759,387)
	1,784,929	(81,735)	1,894,087	2,866,654
Financing:				
Issue of shares for cash	8,500	340,317	417,952	11,921,622
Share issue costs	-	4,172	-	(748,605)
Repurchase of shares for cash	(1,291,520)	-	(3,171,617)	-
Payment to Honeycomb Holdings Limited	-	-	(612,710)	-
Repayment of lease obligations	(4,158)	(3,936)	(10,867)	(11,649)
	(1,287,178)	340,553	(3,377,242)	11,161,368
Investments:				
Redemption (purchase) of short term investments	1,188,898	2,878,810	5,151,025	(12,592,789)
Purchase of property and equipment	(198,060)	(461,284)	(639,849)	(877,601)
Deferred software development costs	(736,391)	-	(1,799,926)	-
Deposit for acquisition	-	(1,680,128)	-	(2,593,103)
	254,447	737,398	2,711,250	(16,063,493)
Increase (decrease) in cash	752,198	996,216	1,228,095	(2,035,471)
Cash, beginning of period	4,377,147	2,964,176	3,901,250	5,995,863
Cash, end of period	\$ 5,129,345	\$ 3,960,392	\$ 5,129,345	\$ 3,960,392
Supplemental cash flow information:				
Interest received	\$ 118,132	\$ 29,630	\$ 322,656	\$ 311,971
Interest paid	342	376	609	1,287

See accompanying notes to interim consolidated financial statements.

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements
For the nine months ended July 31, 2006
(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, 2005. Certain prior period figures have been reclassified for consistency of presentation. These consolidated interim 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, 2005.

2. Share capital:

(a) Authorized:

100,000,000 common shares without par value.

(b) Issued & outstanding:

	Shares	Amount
Balance, October 31, 2005	19,247,437	\$28,046,490
Issued for cash on exercise of stock options	377,552	417,952
Cancelled on Normal Course Issuer Bid	(932,100)	(1,355,331)
Transfer from contributed surplus on options exercised	-	13,296
	(554,548)	\$ (924,083)
Balance, July 31, 2006	18,692,889	\$27,122,407

The weighted average number of shares outstanding for the quarter were 18,477,077 (2005 - 18,507,592). Diluted shares of 18,729,319 (2005 - 20,056,064) reflect the dilutive effect of the exercise of the outstanding options.

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements

For the nine months ended July 31, 2006

(unaudited)

(c) Continuity of options:

	Number	Weighted average exercise price
Outstanding, October 31, 2005	1,743,390	\$ 3.48
Granted	245,000	\$ 3.40
Exercised	(377,552)	\$ 1.11
Forfeited / cancelled	(438,936)	\$ 9.00
Balance, July 31, 2006	1,171,902	\$ 2.62

3. Contributed surplus:

Balance, October 31, 2005	\$ 1,139,928
Stock-based compensation expense	484,058
Transferred to share capital on exercise of options	(13,296)
Balance, July 31, 2006	\$ 1,610,690

4. Future income tax asset:

Balance, October 31, 2005	\$ 904,215
Current period tax expense	(358,968)
Balance, July 31, 2006	\$ 545,247

CHARTWELL TECHNOLOGY INC.

Notes to Interim Consolidated Financial Statements

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(unaudited)

5. 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 July 31, 2006	North America	Europe	Total
Software set-up fees	\$ -	\$ 69,515	\$ 69,515
Software license fees	\$ 18,274	\$ 4,364,346	\$ 4,382,620
Total assets	\$ 17,366,330	\$ 12,302,762	\$ 29,669,092

Nine months ended July 31, 2006	North America	Europe	Total
Software set-up fees	\$ -	\$ 184,760	\$ 184,760
Software license fees	\$ 65,333	\$ 13,041,371	\$ 13,106,704
Total assets	\$ 17,366,330	\$ 12,302,762	\$ 29,669,092

Three months ended July 31, 2005	North America	Europe	Total
Software set-up fees	\$ -	\$ 347,886	\$ 347,886
Software license fees	\$ 564,634	\$ 3,463,071	\$ 4,027,705
Total assets	\$ 25,856,187	\$ 6,397,092	\$ 32,253,279

Nine months ended July 31, 2005	North America	Europe	Total
Software set-up fees	\$ -	\$ 587,419	\$ 587,419
Software license fees	\$ 613,953	\$ 11,665,054	\$ 12,279,007
Total assets	\$ 25,856,187	\$ 6,397,092	\$ 32,253,279

6. Related party transactions:

For the quarter ended July 31, 2006, the Company incurred legal fees of \$68,845 and consulting fees of \$41,250 to certain directors and officers of the Company in the normal course of business. For the nine months ended July 31, 2006, the Company incurred legal fees \$214,802 and consulting fees of \$123,750 to certain officers and directors of company in the normal course of business. As at July 31, 2006, \$65,500 is recorded to accounts payable and accrued liabilities, while all other amounts have been paid. These transactions were paid in Canadian dollars and recorded in general and administrative and sales and marketing expenses. Amount due from related party of \$165,041 is an amount due from a Company officer. The balance bears 6% interest, is secured by 189,200 common shares of the Company and has no set terms of repayment.

7. Subsequent Events:

On August 30, 2006, the Company announced its intention to enter into a business combination with Parlay Entertainment Inc. ("Parlay") as agreed to in a binding Letter of Intent. The Letter of Intent calls for Chartwell to acquire all of the issued and outstanding common shares of Parlay by way of a plan of arrangement or similar business combination, subject to obtaining all necessary regulatory and court approvals and the approval of the Parlay shareholders and subject to the completion of due diligence by both parties. The definitive agreement to be entered into by Chartwell and Parlay will be subject to a number of conditions, including court approvals, stock exchange approvals and the approval of the shareholders of Parlay at a meeting expected to be held in October 2006. If all necessary approvals are obtained and all other conditions to the completion of the transaction are satisfied or waived, the business combination is expected to be completed by October 31, 2006.